



Dave Yost • Auditor of State



**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings .....	22

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Washington Township  
Harrison County  
28585 Norris Road  
Tippecanoe, Ohio 44699

To the Board of Trustees:

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

We have audited the accompanying financial statements and related notes of Washington Township, Harrison County, Ohio (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 opinions.

***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 these 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.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

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

***Basis for Additional Opinion Qualification***

Ohio Rev. Code §505.24(C) and Ohio Attorney General Opinion 2004-036 require trustees to document the proportionate amount of salaries chargeable to other Township funds based on the kinds of services rendered. Without this documentation, the Township must charge salaries to the General Fund. During 2009 and 2008, the Township charged Trustees' salaries as well as related taxes and fringe benefits to the Gasoline Tax and Motor Vehicle License Tax Funds without the required supporting documentation. Findings for adjustment issued in prior audits for noncompliance with these requirements have not been posted by the Township. Had the adjustments been posted, the result would have been a decrease in the fund balance of the General Fund in the amount of \$70,294, and an increase in the fund balances of the Gasoline Tax and Motor Vehicle License Tax Funds, in the amounts of \$63,282 and \$7,012, respectively.

***Additional Opinion Qualification***

In our opinion, because of the effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined cash balances of Washington Township, Harrison County, Ohio, 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 February 19, 2015, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

February 19, 2015

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**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$12,224	\$23,883	\$36,107
Intergovernmental	9,515	90,837	100,352
Earnings on Investments	2	4	6
<i>Total Cash Receipts</i>	21,741	114,724	136,465
<b>Cash Disbursements</b>			
Current:			
General Government	35,996		35,996
Public Safety	120	13,572	13,692
Public Works		101,424	101,424
Health	3,916		3,916
Capital Outlay		47,357	47,357
<i>Total Cash Disbursements</i>	40,032	162,353	202,385
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	(18,291)	(47,629)	(65,920)
<b>Other Financing Receipts</b>			
Sale of Notes		43,712	43,712
Other Financing Sources	3,208	200	3,408
<i>Total Other Financing Receipts</i>	3,208	43,912	47,120
<i>Net Change in Fund Cash Balances</i>	(15,083)	(3,717)	(18,800)
<i>Fund Cash Balances, January 1</i>	21,912	46,571	68,483
<b>Fund Cash Balances, December 31</b>			
Restricted		42,854	42,854
Unassigned (Deficit)	6,829		6,829
<i>Fund Cash Balances, December 31</i>	\$6,829	\$42,854	\$49,683

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

**WASHINGTON TOWNSHIP  
HARRISON 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	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$11,062	\$21,594	\$32,656
Intergovernmental	33,353	112,629	145,982
Earnings on Investments	7	11	18
Miscellaneous	490	1,920	2,410
<i>Total Cash Receipts</i>	<u>44,912</u>	<u>136,154</u>	<u>181,066</u>
<b>Cash Disbursements</b>			
Current:			
General Government	26,970		26,970
Public Safety	120	22,253	22,373
Public Works	1,491	92,330	93,821
Health	3,600		3,600
<i>Total Cash Disbursements</i>	<u>32,181</u>	<u>114,583</u>	<u>146,764</u>
<i>Excess of Cash Receipts Over Cash Disbursements</i>	<u>12,731</u>	<u>21,571</u>	<u>34,302</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	86		86
<i>Total Other Financing Receipts</i>	<u>86</u>	<u>0</u>	<u>86</u>
<i>Net Change in Fund Cash Balances</i>	12,817	21,571	34,388
<i>Fund Cash Balances, January 1</i>	<u>9,095</u>	<u>25,000</u>	<u>34,095</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		46,571	46,571
Unassigned (Deficit)	21,912		21,912
<i>Fund Cash Balances, December 31</i>	<u><u>\$21,912</u></u>	<u><u>\$46,571</u></u>	<u><u>\$68,483</u></u>

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

**WASHINGTON TOWNSHIP  
HARRISON 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, Harrison 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 services. The Township contracts with the Washington Township Volunteer Fire Department to provide fire and ambulance services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

**C. 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:

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

WASHINGTON TOWNSHIP  
HARRISON COUNTY

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

1. Summary of Significant Accounting Policies (Continued)

D. 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. 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 canceled, and reappropriated in the subsequent year.

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

E. 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.

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.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

**1. Summary of Significant Accounting Policies (Continued)**

**E. Fund Balance (Continued)**

**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.

**F. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

	2013	2012
Demand deposits	<u>\$49,683</u>	<u>\$68,483</u>

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

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

**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	\$18,300	\$24,949	\$6,649
Special Revenue	94,315	158,636	64,321
Total	\$112,615	\$183,585	\$70,970

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,037	\$40,032	\$5
Special Revenue	140,564	162,353	(21,789)
Total	\$180,601	\$202,385	(\$21,784)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$20,351	\$44,998	\$24,647
Special Revenue	93,597	136,154	42,557
Total	\$113,948	\$181,152	\$67,204

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$29,879	\$32,181	(\$2,302)
Special Revenue	85,128	114,583	(29,455)
Total	\$115,007	\$146,764	(\$31,757)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax fund by \$43,594 for the year ended December 31, 2013. Also, budgetary expenditures exceeded appropriation authority in the General, Gasoline Tax, and Fire District funds' by \$2,302, \$7,175, and \$22,253, respectively, for the year ended December 31, 2012.

**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.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

**4. Property Tax (Continued)**

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

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

**5. Debt**

Debt outstanding at December 31, 2013, was as follows:

	Principal	Interest Rate
Promissory Note	\$43,712	4.25%

On September 3, 2013, the Township issued a promissory note to finance the purchase of a new tractor for Township road maintenance. The tractor collateralized the note.

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

	Promissory Note
Year ending December 31:	
2014	\$10,584
2015	10,209
2016	9,834
2017	9,459
2018	9,296
Total	\$49,382

**6. Retirement Systems**

The Township's employees and elected 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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, 2013.

**7. Risk Management**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

**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.



# 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  
Harrison County  
28585 Norris Road  
Tippecanoe, Ohio 44699

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Washington Township, Harrison County, Ohio (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 February 19, 2015, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that findings for adjustment issued in prior audits for violations of Ohio Rev. Code §505.24(C) were not recorded by the Township, resulting in an adverse audit opinion.

### ***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. We consider Findings 2013-001, 2013-007, and 2013-008 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 2013-004 and 2013-009 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-006.

***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

February 19, 2015

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

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

**Finding Number 2013-001**

**Finding for Adjustment, Material Weakness and Noncompliance**

Ohio Rev. Code § 505.24(C) states, in part, by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed.

Auditor of State Bulletin 2013-002 provides guidance on the requirements of Ohio Rev. Code § 505.24(C) and indicates that attendance at board meetings and other activities supporting the general business of the township must be allocated to the general fund; therefore, the allocation of 100 percent of an official's compensation to funds other than the general fund is not permitted under Ohio law.

During prior audit periods, specifically the 2006-2007 audit and the 2008-2009 audit, the Township charged Trustees' salaries to funds other than the general fund and did not maintain documentation to justify this allocation of salaries. The cumulative unsupported salaries from years 2006 through 2009 charged to the Gasoline Tax and Motor Vehicle License Tax Funds are \$63,282 and \$7,012, respectively. These amounts are against the General Fund. As a result, a citation was included in both the 2006-2007 and 2008-2009 audits, and also carried forward and included in the 2010-2011 audit. This is noted in the Schedule of Prior Audit Findings as Finding Numbers: 2007-001, 2009-001 and 2011-003.

The Township has failed to post adjustments to the Township records based on the citations in the 2006-2007 and 2008-2009 audits. Therefore, the amounts cited in the previous findings for adjustment are being carried forward to the current audit period. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for \$70,294 in favor of the Gasoline Tax and Motor Vehicle License Tax Funds for \$63,282 and \$7,012, respectively.

**Finding Number 2013-002**

**Noncompliance**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. § 133.22 allows a subdivision to issue anticipatory securities; § 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; § 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and § 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Finding Number 2013-002 (Continued)**

**Noncompliance (Continued)**

In 2013, the Board of Trustees and Fiscal Officer issued a promissory note in the amount of \$43,712 with The First National Bank of Dennison to purchase a tractor. Because this type of debt is a promissory note between a banking institution and the Township, the note does not meet the requirements set forth in the Ohio Rev. Code Chapter 133. The Ohio Rev. Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships.

We recommend the Board of Trustees consult with the Township's legal counsel prior to incurring future debt.

**Finding Number 2013-003**

**Noncompliance**

Ohio Rev. Code § 145.47(B) requires, in part, that the fiscal officer of each local authority subject to this chapter, shall transmit to the system for each contributor subsequent to the date of coverage an amount equal to the applicable per cent of each contributor's earnable salary at such intervals and in such form as the system shall require. The fiscal officer of each local authority subject to this chapter shall transmit promptly to the system a report of contributions at such intervals and in such form as the system shall require, showing thereon all the contributions and earnable salary of each contributor employed, together with warrants, checks, or electronic payments covering the total of such deductions. A penalty shall be added when such report, together with warrants, checks, or electronic payments to cover the total amount due from the earnable salary of all amenable employees of such employer, is filed thirty or more days after the last day of such reporting period.

During 2013, the Township's required employee and employer share of contributions to the Ohio Public Employees' Retirement System totaled \$13,650. Of this amount, \$6,089 was paid late. During 2012, the Township's required employee and employer share of contributions to the Ohio Public Employees' Retirement System totaled \$12,569. Of this amount, \$6,360 was paid late. The Township incurred late fees as a result of these late payments.

We recommend that the Fiscal Officer remit its required pension payments in a timely manner to avoid future penalties.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Finding Number 2013-004**

**Noncompliance and Significant Deficiency**

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, shall be paid into a special fund for such purpose.

The following mis-postings were noted during 2013:

- Excess IRP revenue in the amount of \$358 was posted to the General Fund, but should have been posted to the Motor Vehicle License Tax Fund.

The following mis-postings were noted during 2012:

- Excess IRP revenue in the amount of \$322 was posted to the General Fund, but should have been posted to the Motor Vehicle License Tax Fund.
- Gasoline tax revenue in the amount of \$2,469 was posted to the Motor Vehicle License Tax Fund, but should have been posted to the Gasoline Tax Fund.

These adjustments to which Township management agrees have been posted to the Township's accounting records and are reflected in the accompanying financial statements.

We recommend the Fiscal Officer record excess IRP revenues in the Motor Vehicle License Tax Fund. In addition, we recommend the Fiscal Officer record gasoline tax revenues in the Gasoline Tax Fund.

**Finding Number 2013-005**

**Noncompliance**

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

At December 31, 2013, we noted the following fund had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Gasoline Tax	\$81,398	\$124,992	(\$43,594)

At December 31, 2012, we noted the following funds had expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$29,879	\$32,181	(\$2,302)
Gasoline Tax	72,500	79,675	(7,175)
Fire District	0	22,253	(22,253)

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Finding Number 2013-005 (Continued)**

**Noncompliance - Ohio Rev. Code § 5705.41(B) (Continued)**

Failure to limit expenditures plus encumbrances to the amount appropriated by the Township could result in overspending and negative cash balances. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations or by amending estimated resources.

**Finding Number 2013-006**

**Noncompliance**

26 U.S.C § 3402(a)(1) states that except as otherwise provided in this section, every employer making payments of wages shall deduct and withhold such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Furthermore, 26 U.S.C § 3403 states that a employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment. Also, Ohio Rev. Code § 5747.06(A) states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

During 2013, the Internal Revenue Service was due \$4,209 in federal income tax and medicare withholdings, as well as the employer share of medicare. We noted that \$2,882 of this amount was paid late, and \$590 of this amount has not been paid as of the date of this report.

Additionally, during 2013, the Ohio Department of Taxation was due \$486 in state income tax withholdings. We found that \$282 of this amount was paid late.

During 2012, the Internal Revenue Service was due \$3,849 in federal income tax and medicare withholdings, as well as the employer share of medicare. We noted that \$3,485 of this amount was paid late, and \$364 of this amount has not been paid as of the date of this report.

In addition, during 2012, the Ohio Department of Taxation was due \$433 in state income tax withholdings. We found that \$352 of this amount was paid late. The Township incurred several late fees as a result of these late payments. In addition, the Township's monthly reconciliations reflected "Other Adjusting Factors", due in part, to errors related to not remitting tax payments timely.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Finding Number 2013-006 (Continued)**

**Noncompliance - 26 U.S.C § 3402 (Continued)**

The Township should remit withholdings to the appropriate federal and state agencies in a timely manner. Additionally, the Township should review payroll records and remit any unpaid withholdings due. This will help ensure the Township complies with various federal and state laws and reduce the likelihood of interest and penalties.

**Finding Number 2013-007**

**Material Weakness – Financial Reporting**

As a result of audit procedures performed, errors were noted in the Township's financial statements that required audit adjustments and reclassifications as follows:

The following was noted during 2013:

- The Fiscal Officer did not record a promissory note transaction on their accounting records or financial statements in the amount of \$43,712 in the Gasoline Tax Fund.

The following was noted during 2012:

- A state grant receipt in the amount of \$8,113 in the Fire District Fund was posted to Other Financing Sources and should have been posted to Intergovernmental.
- Disbursements in the amount of \$14,140 in the Fire District Fund were posted as Conservation-Recreation and should have been posted to Public Safety
- Fund balances in the amounts of \$16,299, \$26,787, \$2,091, \$195, and \$1,198 in the Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, Fire District, and FEMA funds were improperly classified as Assigned and should have been classified as Restricted.

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

To help ensure the Township's financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions in reporting.

The financial statements have been adjusted accordingly.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Finding Number 2013-008**

**Material Weakness – Posting of Appropriations**

The Township should have implemented internal controls in order to reasonably assure that budgetary accounts are integrated into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

At December 31, 2012, variances existed between the legislatively approved appropriation resolution/amendments, as noted in the minute record, and the amounts posted to the accounting system. The following table details these variances:

<u>Fund</u>	<u>Amount Per Annual Appropriation Resolution and Approved Amendments</u>	<u>Amounts Posted to the Accounting System</u>	<u>Variance</u>
General	\$29,879	\$32,528	\$2,649
Gasoline Tax	72,500	81,700	9,200
Fire District	0	22,295	22,295

As a result, Township officials could have been making decisions based on inaccurate information.

We recommend the Fiscal Officer only post the Board approved appropriation amendments, as documented in the Board minutes, to the accounting system.

**Finding Number 2013-009**

**Significant Deficiency – Timely Posting and Depositing of Receipts**

The Township receipts should be posted and deposited timely to ensure the accuracy of the Township's accounting records and prevent the loss of Township revenue. Our testing disclosed that while some receipts were posted and deposited timely, others were held by the Fiscal Officer for an extensive period of time. For the receipts tested, the average time elapsed between when the receipts were paid to the Township and the subsequent posting of those receipts to the Township accounting records was 47 days for 2013 and 46 days for 2012. Of those tested receipts, the average time elapsed between when the receipts were paid to the Township and the subsequent depositing of those receipts to the Township depository was up to 52 days for 2013 and up to 49 days for 2012.

Also, as a result, one check from the Harrison County Auditor on May 29, 2013 in the amount of \$4,749.50 for Gas Excise Tax was voided by the County due to it not being deposited by the Fiscal Officer after an extended period of time. Also, the Township's monthly reconciliations reflected "Other Adjusting Factors", due in part, to the Township not posting or depositing receipts timely. This resulted in a loss of Township revenue during the audit period.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**Finding Number 2013-009 (Continued)**

**Significant Deficiency – Timely Posting and Depositing of Receipts (Continued)**

By having such long delays between the collection and deposit of receipts there is an increased risk that receipts may be lost, misplaced or misappropriated. Additionally, a true and accurate monthly financial position cannot be accurately reflected.

We recommend the Fiscal Officer post receipt items to the Township's ledgers and deposit such items in the Township's depository timely. Further, we recommend the Fiscal Officer contact the Harrison County Auditor's office to have their voided warrant re-issued to the Township.

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

**WASHINGTON TOWNSHIP  
HARRISON 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; <b><i>Explain</i></b>
2011-001	26 U.S.C. Section 3402(a)(1), 26 U.S.C. Section 3403, and Ohio Rev. Code Section 5747.06(A) regarding Medicare, federal income taxes and state income taxes.	No	Not Corrected; Repeated as Finding No. 2013-006.
2011-002	Ohio Rev. Code Section 5705.41(D) regarding not properly encumbering.	Yes	N/A.
2007-001, 2009-001, 2011-003	Ohio Rev. Code Section 505.24(C) regarding not properly documenting charges to funds other than the General Fund.	No	Not Corrected; Repeated as Finding No. 2013-001.
2011-004	Ohio Rev. Code Chapter 133 regarding improper debt issues.	No	Not Corrected; Repeated as Finding No. 2013-002.
2011-005	Ohio Rev. Code Section 5705.39 regarding appropriations exceeding estimated resources.	No	Not Corrected; Reported in Management Letter.
2011-006	Material Weakness for bank reconciliation errors.	No	Partially Corrected; Repeated as part of Finding No. 2013-009.
2011-007	Material Weakness for posting errors.	No	Not Corrected; Repeated as Finding No. 2013-007.
2011-008	Significant Deficiency for untimely deposits.	No	Not Corrected; Repeated as Finding No. 2013-009.
2011-009	Significant Deficiency for improper posting of budgetary amounts to the accounting system.	No	Not Corrected; Repeated as Finding No. 2013-008.



# Dave Yost • Auditor of State

**WASHINGTON TOWNSHIP**

**HARRISON 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  
MARCH 5, 2015**