

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

AUDIT REPORT

JANUARY 1, 2014 - DECEMBER 31, 2015



Dave Yost • Auditor of State

Board of Trustees
Washington Township
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

We have reviewed the *Independent Auditors' Report* of Washington Township, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Washington Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 27, 2016

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**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY
JANUARY 1, 2014 - DECEMBER 31, 2015**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Washington Township, Tuscarawas County, as of and for the years ended December 31, 2015 and 2014.

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, to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Washington Township, Tuscarawas County as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification over Fund Balances

During a prior audit covering 2011 and 2010, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$44,765 and 39,107, respectively from the Gasoline Tax Fund. During 2013 and 2012, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$4,839 and \$10,557, respectively from the Gasoline Tax Fund. Ohio Revised Code Section 5735.27(A)(5)(d) requires gasoline tax revenue to be used for the purposes of planning, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest and charges on obligations incurred pursuant to Ohio Revised Code Section 5531.09, and paying costs apportioned to the township under Ohio Revised Code Section 4907.47. These employees did not perform work consistent with allowable uses of the Gasoline Tax Fund.

During a prior audit covering 2011 and 2010, the Township received state property tax reimbursements for the road and bridge levy totaling \$729 and \$676, respectively in the General Fund. During 2013 and 2012, the Township received state property tax reimbursements for the road and bridge levy totaling \$778 and \$401, respectively in the General Fund. Ohio Revised Code Section 5705.10 (C) requires revenue derived from special levies to be posted to the special revenue fund for which that levy was made.

During a prior audit covering 2011 and 2010, the Township received a \$3,124 reimbursement for an expenditure made from the Road & Bridge Fund; however, the money was posted to the General Fund. During 2012, the Township received a \$1,963 reimbursement for an expenditure made from the General Fund; however, the money was posted to the gasoline Tax Fund.

In 2015 and 2014, gasoline tax revenue of \$14,545 and \$23,496 were posted to the General Fund instead of the Gasoline Tax Fund.

Additionally, during 2013, the Township paid fire contract and general advertisement fees of \$2,989 from the OPWC Fund. Ohio Revised Code Section 5701.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. The OPWC Fund was funded by payments from the Tuscarawas County Engineer in lieu of support from OPWC. OPWC monies are used to pay for various infrastructure improvements. These payments were not consistent with the fund's purpose.

Had the Township agreed to these adjustments, the effect would have resulted in deficit General Fund cash balances at December 31, 2015 and 2014 totaling \$122,052 and \$132,778, respectively. The effects would have resulted in Special Revenue Fund cash balances at December 31, 2015 and 2014 totaling \$206,023 and \$191,407.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the Basis for Additional Opinion Qualification paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Washington Township, Tuscarawas County as of December 31, 2015 and 2014, 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) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 19, 2016, on our consideration of Washington 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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
July 19, 2016

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 100,516	\$ 12,204	\$ 112,720
Intergovernmental	41,106	86,766	127,872
Charges for Services	-	550	550
Earnings on Investments	6	-	6
Miscellaneous	247	298	545
Total Cash Receipts	<u>141,875</u>	<u>99,818</u>	<u>241,693</u>
Cash Disbursements:			
Current:			
General Government	131,149	-	131,149
Public Works	-	84,569	84,569
Health	-	633	633
Total Cash Disbursements	<u>131,149</u>	<u>85,202</u>	<u>216,351</u>
Net Change in Fund cash Balance	10,726	14,616	25,342
Fund Cash Balances, January 1	<u>7,097</u>	<u>51,532</u>	<u>58,629</u>
Fund Cash Balances, December 31			
Restricted	-	66,148	66,148
Unassigned (Deficit)	17,823	-	17,823
Fund Cash Balances, December 31	<u>\$ 17,823</u>	<u>\$ 66,148</u>	<u>\$ 83,971</u>

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**STATEMENT OF FUND BALANCE (CASH BASIS)
AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Agency</u>
Fund Cash Balances, January 1	\$ 2,858
Fund Cash Balances, December 31	<u>\$ 2,858</u>

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$ 95,216	\$ 11,570	\$ 106,786
Intergovernmental	40,770	72,518	113,288
Earnings on Investments	9	-	9
Miscellaneous	774	10,770	11,544
Total Cash Receipts	<u>136,769</u>	<u>94,858</u>	<u>231,627</u>
Cash Disbursements:			
Current:			
General Government	129,011	-	129,011
Public Works	-	79,468	79,468
Health	-	633	633
Other	-	2,009	2,009
Debt Service:			
Principal Retirement	-	10,162	10,162
Interest and Fiscal Charges	-	455	455
Total Cash Disbursements	<u>129,011</u>	<u>92,727</u>	<u>221,738</u>
Net Change in Fund cash Balance	7,758	2,131	9,889
Fund Cash Balances, January 1	<u>(661)</u>	<u>49,401</u>	<u>48,740</u>
Fund Cash Balances, December 31			
Restricted	-	51,532	51,532
Unassigned (Deficit)	7,097	-	7,097
Fund Cash Balances, December 31	<u>\$ 7,097</u>	<u>\$ 51,532</u>	<u>\$ 58,629</u>

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**STATEMENT OF FUND BALANCE (CASH BASIS)
AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Agency</u>
Fund Cash Balances, January 1	\$ 2,858
Fund Cash Balances, December 31	<u>\$ 2,858</u>

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

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, Tuscarawas County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Newcomerstown Emergency Rescue Squad, Inc. to provide fire protection services.

The Township participates in a public entity risk pool and two jointly governed organization. Notes 6 and 7 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool

Ohio Government Risk Management Plan

Jointly Governed Organization

Tri-County Ambulance District (the Ambulance District)

Tuscarawas County Regional Planning Commission

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

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

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.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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:

General Fund

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Funds:

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

Road and Bridge Fund – This fund receives property tax monies for constructing, maintaining, and repairing township roads.

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining, and repairing township roads.

Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organization or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's Agency fund accounts for a performance bond.

E. Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not use the encumbrance method of accounting.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2015	2014
Demand Deposits	\$ 79,910	\$ 54,574
STAR Ohio	6,919	6,913
Total Deposits and Investments	\$ 86,829	\$ 61,487

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 127,963	\$ 141,875	\$ 13,912
Special Revenue	98,600	99,818	1,218
Total	\$ 226,563	\$ 241,693	\$ 15,130

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 135,060	\$ 131,149	\$ 3,911
Special Revenue	150,133	85,202	64,931
Total	\$ 285,193	\$ 216,351	\$ 68,842

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 129,028	\$ 136,769	\$ 7,741
Special Revenue	97,900	94,858	(3,042)
Total	\$ 226,928	\$ 231,627	\$ 4,699

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 129,434	\$ 129,011	\$ 423
Special Revenue	139,330	92,727	46,603
Total	\$ 268,764	\$ 221,738	\$ 47,026

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. 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.

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant’s gross salaries. The Township has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

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

The Township pays the State Workers’ Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as the Ohio Government Risk Management Plan, (The Plan), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments (“Members”). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan provides property, liability, errors and omissions. law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT (Continued)

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses of the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan’s property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 and 783 members as of December 31, 2013 and 2014, respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member’s covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three years.

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2014 the latest information available.

	2013	2014
Assets	\$ 13,774,304	\$ 14,830,185
Liabilities	(7,968,395)	(8,942,504)
Retained Earnings	\$ 5,805,909	\$ 5,887,681

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

7. JOINTLY GOVERNED ORGANIZATIONS

Tri-County Ambulance District

The Tri County Ambulance District provides emergency medical services for the Township. The Ambulance District is directed by an appointed six-member Board of Directors. One board member is appointed by each political subdivision within the Ambulance District. Those subdivisions are Oxford, Salem, Perry, and Washington Townships; and the Villages of Port Washington and Newcomerstown. The Ambulance District provides emergency medical citizens within those areas. During 2015 and 2014, no monies were paid to the Ambulance District..

Tuscarawas County Regional Planning Commission

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member’s control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2015 and 2014. \$132 was paid to the Commission by the Township for each year.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

NOTES TO FINANCIAL STATEMENTS

8. HEALTH INSURANCE

The Township provides health insurance to all employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

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

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Washington Township, Tuscarawas County as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 19, 2016, 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 qualified our opinion on the General Fund and Special Revenue Fund types because adjustments for improperly recorded disbursements and revenue in unallowable funds were not posted.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Washington 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 first 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 a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 Finding 2015-001, 2015-002, 2015-003 and 2015-004 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington 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 was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-002, 2015-003, 2015-004 and 2015-005.

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.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
July 19, 2016

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Financial Reporting – Material Weakness

As a result of audit procedures performed, errors were noted in the Township's financial statements that required audit reclassifications for which the financial statements have been adjusted:

- For 2014, Public Works disbursements totaling \$79,468 in the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund were incorrectly reported as either General Government or Other Disbursements;
- For 2015, Public Works disbursements totaling \$84,569 in the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund were incorrectly reported as either General Government or Other Disbursements;
- 2014 debt service payment of \$10,617 was incorrectly posted to Public Works instead on principal (\$10,162) and interest (\$455), respectively.
- For 2015 and 2014, Cemetery expenditures in the amount of \$633 and \$633, respectively were incorrectly posted to Other Expense instead of Health.

Adjustment not posted:

- In 2015 and 2014, the Township recorded gasoline tax revenue in the amount of \$14,545 and \$23,496, respectively in the General Fund instead of the Gasoline Tax Fund.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. As the Township has one employee performing the finance function, the Township lacked proper segregation within the finance function to create an effective control environment. Board oversight of all financial activity is essential to compensate for these risks and create an effective control environment.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate and to improve the Board oversight function, the Fiscal Officer should submit monthly financial reports that include, at a minimum, the following information:

- Revenue Ledgers, by fund, with the details of each receipt including receipt number, amount, purpose, classification;
- Appropriation Ledgers, by fund and object code, with details of each disbursement, check number amount, and classification;
- Monthly invoices for approval including information on what fund the invoice will be paid from;
- Cash journals detailing the cash balance by each fund and in aggregate;
- Detailed bank to book reconciliation; and,
- Budget versus actual reports.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

FINDING NUMBER 2015-001 (Continued)

Financial Reporting – Material Weakness (Continued)

In addition, the Board of Trustees should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions. The monthly review of the above listed reports, along with a final review of the statements and notes, will support a more appropriate control environment that will help deter, prevent and detect potential fraudulent activity. This will also help the Board effectively monitor and assess, on an on-going basis, the financial position of the Township, which will assist the Board in the decision making process.

Official's Response: We did not receive a response from Officials to this finding.

Finding Number 2015-002

Ohio Rev. Code § 117.38 – Noncompliance and Material Weakness

Ohio Rev. Code § 117.38 requires that each public office file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall contain the amount of collections and receipts, and accounts due from each source and the amount of expenditures for each purpose.

The 2015 and 2014 Cash Basis Annual Financial Reports (Annual Report) were prepared by the Township and presented for audit. Errors and omissions were identified within each report.

We were able to use the Township's accounting records which consisted of Cash Journal, Receipt Ledgers and Appropriations Ledger as support for the actual financial information of the Township.

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Finding Number 2015-002 (Continued)

Ohio Rev. Code § 117.38 – Noncompliance and Material Weakness (Continued)

To help ensure the Township's Annual Reports are correct, the Township adopt policies and procedures for the review of these reports prior submission. These procedures should include, but are not limited to, the following:

- Review of the mathematical accuracy of each statement;
- Reconciliation of the Special Revenue Funds activity on the Combined Statement to the funds reported on the Combining Statement;
- Reconciliation of all information to the Township's manual accounting records to ensure the completeness and accuracy of the Annual Reports;
- Revenue of the classification of each fund to determine they are reported within the correct fund type (Governmental Funds including General, Special Revenue, Capital Projects, Debt Service and Permanent Fund types; proprietary funds including Enterprise and Internal Service fund types; fiduciary funds including Agency and Trust Fund types).

The will help ensure the accuracy and completeness of the Annual Reports prepared and submitted by the Township.

The financial statements have been adjusted utilizing the accounting records of the Township.

Official's Response: We did not receive a response from Officials to this finding.

Finding Number 2015-003

Ohio Rev. Code § 5735.27 (A) (5) (d) – Noncompliance and Material Weakness

Ohio Rev. Code § 5735.27 (A) (5) (d) requires gasoline tax monies received by the Township to be used for the purpose of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest and charges on obligations incurred pursuant to Ohio Rev. Code § 5531.09, and paying costs apportioned to the township under Ohio Rev. Code § 4907.47.

During 2015 and 2014, the following errors were noted:

- In 2015 and 2014, the Township recorded gasoline tax revenue in the amount of \$14,545 and \$23,496, respectively in the General Fund instead of the Gasoline Tax Fund.

As a result, the financial statements were misstated and the affected fund's cash balances were over or understated.

The Township should post all revenue received to the proper fund for which the monies are to be used.

Official's Response: We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Finding Number 2015-004

Ohio Admin. Code § 117-2-02-(C) (1) – Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02-(C) (1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township utilized a manual financial accounting system which was capable of integrating budgetary and actual financial information at the legal level of budgetary control. The Receipts Ledgers included columns for recording estimated revenue and receivable balances; the Appropriations Ledgers included columns for recording and appropriations and unspent appropriations. However, the Township did not integrate the required estimated revenue and appropriations into these ledgers. As a result, the following budgetary activity was not reported within their manual financial accounting system:

- 2015 estimated revenue of \$127,963 and \$98,600 in the General Fund and Special Revenue Funds, respectively;
- 2014 estimated revenue of \$129,028 and \$97,900 in the General Fund and Special Revenue Funds, respectively;
- 2015 Appropriations of \$135,060 and \$150,133 in the General Fund and Special Revenue Funds, respectively;
- 2014 appropriations of \$129,434 and \$139,330 in the General Fund and Special Revenue Funds, respectively.

Inaccurately posted budgetary information could lead to errors in the reporting of budgetary information in the notes to the financial statements. Additionally, the Board was not provided with budget versus actual reports throughout the year which would provide the Board with essential information in making informed financial decisions.

The Township should integrate all budgetary information, including Tuscarawas County Budget Commission approved estimated revenue and Board approved appropriations, into their manual financial accounting system. Once integrated, the Board should review budget versus actual information at each meeting and approve these reports. This will help to ensure that budgetary amounts are accurately reported and provide accurate versus actual comparisons allowing the Board of Trustees to make informed financial decisions.

The notes to the financial statements have been corrected to report approved estimated revenue and appropriations.

Official's Response: We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Finding Number 2015-005

Ohio Rev. Code § 5705.41 (D) – Noncompliance

Ohio Rev. Code § 5705.41 (D) requires that no subdivisions or taxing unit shall make any contract or give any other involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate needs to be signed only by the subdivision's Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. There are several exceptions to the standard requirement stated payment of any amount due thereon. There are several exceptions to the standard requirement stated above that the 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 §§ 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer with 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 Certification – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During 2015 and 2014, the Township did not utilize purchase orders for any expenditures. Failure to utilize purchase orders, which certify the availability of funds, can result in overspending funds and negative cash fund balance. The Fiscal Officer should issue purchase orders before entering into the purchase commitment.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

Finding Number 2015-005 (Continued)

Ohio Rev. Code § 5705.41 (D) – Noncompliance (Continued)

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 the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify purchases to which § 5705.41 (D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41 (D) requires to authorize disbursements. The Fiscal Officer should also sign the certification prior to the Township incurring a commitment, and only when the requirements of § 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Official's Response: We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2013-001	Significan Deficiency bank reconciliations and STAR Ohio Account to be included	Yes	Finding No Longer Valid
2013-002	Material Weakness Financial reporting reclassifications and	No	Not Corrected: Cited in current report as finding 2015-001
2013-003	Material Weakness and noncompliance ORC 117.38 financial reports	No	Not Corrected: Cited in current report as finding 2015-002
2013-004	Material Weakness Noncompliance/Finding for adjustment - errors	No	Not Corrected: Cited in prior report as finding 2013-004
2013-005	Material Weakness Noncompliance/Finding for adjustment - Gas Fund	No	Not Corrected: Cited in current report as finding 2015-003
2013-006	Material Weakness Noncompliance Budgetary Amounts	No	Not Corrected: Cited in current report as finding 2015-004
2013-007	Noncompliance ORC Chapter 133 Debt	Yes	Finding No Longer Valid
2013-008	Noncompliance ORC 5705.10(I) Negative Balances	Yes	Finding No Longer Valid
2013-009	Noncompliance ORC 5705.41(B) expenditures exceeding appropriations	Yes	Finding No Longer Valid
2013-010	Noncompliance ORC 5705.41(D) Prior Certification	No	Not Corrected: Cited in current report as finding 2015-005
2013-011	Noncompliance 26 USC Section 3402 Payroll Taxes	Yes	Finding No Longer Valid

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Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

TUSCARAWAS 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 11, 2016