



Dave Yost • Auditor of State



WASHINGTON TOWNSHIP  
HARRISON COUNTY

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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 of the cash balances, receipts and disbursements by fund type, and related notes of Washington Township, Harrison County, Ohio (the Township), 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis 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 the Township as of December 31, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

Ohio Rev. Code § 505.24(C) and Ohio Attorney General Opinion No. 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 at January 1, 2014, December 31, 2014, and December 31, 2015, 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, at January 1, 2014, December 31, 2014, and December 31, 2015.

***Opinion on Regulatory Basis of Accounting***

In our opinion, because of the effects of the matter described in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* 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, 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 9 to the financial statements, the Township has suffered recurring losses and if the adjustments noted in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph were made, the General Fund would have a negative \$58,809 fund balance. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on the financial statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2016, 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 "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 28, 2016

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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, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$17,040	\$31,879	\$48,919
Intergovernmental	19,707	101,024	120,731
Miscellaneous	61	8,000	8,061
<i>Total Cash Receipts</i>	<i>36,808</i>	<i>140,903</i>	<i>177,711</i>
<b>Cash Disbursements</b>			
Current:			
General Government	23,573	0	23,573
Public Safety	120	27,695	27,815
Public Works	0	141,248	141,248
Health	3,109	0	3,109
Capital Outlay	0	135,681	135,681
<i>Total Cash Disbursements</i>	<i>26,802</i>	<i>304,624</i>	<i>331,426</i>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<i>10,006</i>	<i>(163,721)</i>	<i>(153,715)</i>
<b>Other Financing Receipts</b>			
Other Debt Proceeds	0	135,000	135,000
Other Financing Sources	434	51,810	52,244
<i>Total Other Financing Receipts</i>	<i>434</i>	<i>186,810</i>	<i>187,244</i>
<i>Net Change in Fund Cash Balances</i>	<i>10,440</i>	<i>23,089</i>	<i>33,529</i>
<i>Fund Cash Balances, January 1</i>	<i>1,045</i>	<i>94,576</i>	<i>95,621</i>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	126,319	126,319
Assigned	11,485	0	11,485
Unassigned (Deficit)	0	(8,654)	(8,654)
<i>Fund Cash Balances, December 31</i>	<i>\$11,485</i>	<i>\$117,665</i>	<i>\$129,150</i>

*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, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$12,390	\$24,270	\$36,660
Intergovernmental	9,561	98,969	108,530
Earnings on Investments	2	26	28
<i>Total Cash Receipts</i>	<u>21,953</u>	<u>123,265</u>	<u>145,218</u>
<b>Cash Disbursements</b>			
Current:			
General Government	24,845	0	24,845
Public Safety	120	15,057	15,177
Public Works	0	116,054	116,054
Health	3,395	0	3,395
Capital Outlay	0	29,412	29,412
Debt Service:			
Principal Retirement	0	8,700	8,700
Interest and Fiscal Charges	0	1,888	1,888
<i>Total Cash Disbursements</i>	<u>28,360</u>	<u>171,111</u>	<u>199,471</u>
<i>Excess of Cash Receipts (Under) Cash Disbursements</i>	<u>(6,407)</u>	<u>(47,846)</u>	<u>(54,253)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	623	99,568	100,191
<i>Total Other Financing Receipts</i>	<u>623</u>	<u>99,568</u>	<u>100,191</u>
<i>Net Change in Fund Cash Balances</i>	(5,784)	51,722	45,938
<i>Fund Cash Balances, January 1</i>	<u>6,829</u>	<u>42,854</u>	<u>49,683</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	94,576	94,576
Assigned	1,045	0	1,045
<i>Fund Cash Balances, December 31</i>	<u>\$1,045</u>	<u>\$94,576</u>	<u>\$95,621</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, 2015 AND 2014**

**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. 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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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, 2015 AND 2014  
(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. Unencumbered appropriations lapse at year end.

**2. 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.

**3. Encumbrances**

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

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

**E. Fund Balance**

Fund balance is divided into three 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. 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.

**2. 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.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Fund Balance (Continued)**

**3. 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:

	2015	2014
Demand deposits	\$129,150	\$95,621

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

**3. BUDGETARY ACTIVITY**

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$21,350	\$37,242	\$15,892
Special Revenue	96,765	327,713	230,948
Total	\$118,115	\$364,955	\$246,840

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$23,713	\$27,735	(\$4,022)
Special Revenue	178,405	307,739	(129,334)
Total	\$202,118	\$335,474	(\$133,356)

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,000	\$22,576	\$3,576
Special Revenue	94,615	222,833	128,218
Total	\$113,615	\$245,409	\$131,794

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$26,012	\$29,028	(\$3,016)
Special Revenue	135,591	171,894	(36,303)
Total	\$161,603	\$200,922	(\$39,319)

Contrary to Ohio Rev. Code § 5705.10(D), in 2015, a Township supplement receipt in the amount of \$7,581 was posted to the Gasoline Tax Fund instead of the General Fund. Also, in 2014, an excess IRP payment from the County Auditor in the amount of \$402 was posted to the General Fund instead of the Motor Vehicle License Tax Fund. Contrary to Ohio Rev. Code § 5705.39, at December 31, 2015, appropriations exceeded estimated resources in the General and Motor Vehicle License Tax Funds by \$1,319 and \$673, respectively. At December 31, 2014, appropriations exceeded estimated resources in the General and Motor Vehicle License Tax Funds by \$182 and \$1,788, respectively. Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General and Gasoline Tax Funds by \$4,022 and \$123,858, respectively, for the year ended December 31, 2015, and in the General and Gasoline Tax Funds by \$3,016 and \$52,948, respectively, for the year ended December 31, 2014.

**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.

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, 2015, was as follows:

	Principal	Interest Rate
Promissory Note - Tractor	\$26,312	4.25%
Promissory Note - Truck	135,000	4.25%
Total	\$161,312	

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.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**5. DEBT (Continued)**

On December 7, 2015, the Township issued a promissory note to finance the purchase of a new truck for Township road maintenance. The truck collateralized the note.

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

Year ending December 31:	Promissory Note - Tractor	Promissory Note - Truck
2016	\$9,834	\$32,817
2017	9,459	31,654
2018	9,296	30,490
2019	0	29,327
2020	0	28,163
Total	<u>\$28,589</u>	<u>\$152,451</u>

**6. RETIREMENT SYSTEM**

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, 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, 2015.

**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.

**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.

**9. FINANCIAL DIFFICULTIES**

At December 31 2015, the Township's General Fund had a fund cash balance of \$11,485. However, the Township has unposted findings for adjustment from prior audits totaling \$70,294 against the General Fund and in favor of restricted funds. If the Township posted the findings for adjustment, the General Fund would have a deficit fund cash balance of \$58,809. Township management currently does not have a plan in place to address this matter.

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# Dave Yost • Auditor of State

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

Washington Township  
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 cash balances, receipts, and disbursements by fund type of Washington Township, Harrison County, Ohio (the Township), 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 September 28, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We issued an adverse opinion on the General and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for prior audit findings for adjustment.

### ***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 and a significant deficiency.

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 2015-001 through 2015-004 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 finding 2015-005 described in the accompanying Schedule of Findings to be a significant deficiency.

***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 2015-001, 2015-002, and 2015-006 through 2015-010.

***Township's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***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

September 28, 2016

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**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 and 2012 and 2013 audits. This is noted in the Schedule of Prior Audit Findings as Finding Numbers: 2007-001, 2009-001, 2011-003, and 2013-001.

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.

**Officials' Response:** We have changed procedures to ensure this does not occur again, although current funding does not have room for this correction, we are continually trying to resolve this deficiency.

**FINDING NUMBER 2015-002**

**Material Weakness and Noncompliance**

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. All revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose shall be paid into the general fund.

In 2015 a Township Supplement payment (i.e., local government monies) from the County Auditor in the amount of \$7,581 was improperly posted to the Gasoline Tax Fund and should have been posted to the General Fund.

In 2014 an Excess International Registration Plan (IRP) payment from the County Auditor in the amount of \$402 was posted to the General Fund, but should have been posted to the Motor Vehicle License Tax Fund.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-002  
(Continued)**

**Material Weakness and Noncompliance - Ohio Rev. Code § 5705.10(D) (Continued)**

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

The Fiscal Officer should record House Bill 64 Township supplement monies in the Township's General Fund. Also, the Fiscal Officer should post Excess IRP monies to the Motor Vehicle License Tax Fund.

**Officials' Response:** We have reviewed our policies and changed procedures to correct these. The large influx of gas and oil monies was a new stream of funding and we were unsure of the proper posting at the time of receiving the payments. IRP and Gas Tax monies will be reviewed more closely by the trustees with quarterly reports.

**FINDING NUMBER 2015-003**

**Material Weakness**

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Township Handbook (revised March 2016) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

The Township did not always record receipts and disbursements into accurate funds or classifications, or record all such transactions, based upon the source of the receipt or the nature of the disbursement.

The following was noted during 2015:

- Equal Share Township Supplement payments in the General Fund in the amount of \$3,790 were posted to Other Financing Sources and should have been posted to Intergovernmental.
- Road repair and maintenance payments from oil and gas industry related companies in the amount of \$19,370 were improperly posted to the General Fund and should have been posted to the Gasoline Tax Fund.
- General Fund ending fund balance in the amount of \$11,485 was improperly classified as Unassigned and should have been classified as Assigned.

The following was noted during 2014:

- Debt payments in the amount of \$10,588 in the Gasoline Tax Fund were posted as Capital Outlay and should have been posted to Debt Service-Principal and Debt Service-Interest in the amounts of \$8,700 and \$1,888, respectively.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-003  
(Continued)**

**Material Weakness (Continued)**

- Road repair and maintenance payments from oil and gas industry related companies in the amount of \$1,600 were improperly posted to the General Fund and should have been posted to the Gasoline Tax Fund.
- Real Estate Homestead and Rollback payments for the General, Road and Bridge, and Fire District funds in the amounts of \$1,025, \$854, \$1,100 were deposited in the Township's depository, but were not posted to the Township's accounting records.
- An oil and gas payment in the General Fund in the amount of \$1,100 was posted to the Township's accounting records twice.
- General Fund ending fund balance in the amount of \$1,045 was improperly classified as Unassigned and should have been classified as Assigned.

The adjustments, with which the Township officials' agree, are reflected within the accompanying financial statements and posted to the accounting records.

Also the following was noted during 2015:

- Debt payments in the amount of \$10,210 in the Motor Vehicle License Tax Fund were posted as Public Works and should have been posted to Debt Service-Principal and Debt Service-Interest in the amounts of \$8,700 and \$1,510, respectively.

Also the following was noted during 2014:

- Real Estate Homestead and Rollback, Manufactured Homes Homestead, and Manufactured Homes Rollback payments in the General, Road and Bridge, and Fire District Funds in the amounts of \$1,049, \$874, \$1,127, respectively, were improperly posted to Property and Other Local Taxes and should have been posted to Intergovernmental.

These adjustments are not reflected within the accompanying financial statements as they were not deemed significant.

The Township should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions. This guidance will help ensure the Fiscal Officer makes proper postings to receipt and expenditure account classifications based on the source of the receipt and purpose of the expenditure.

**Officials' Response:** Future questions will be directed to Harrison County Auditor or Harrison County Township Association or UAN for direction and assistance. Fiscal Officer will try to attend additional training involving fund accounting through the State Auditor's Office so that these types of classifications are completed correctly.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-004**

**Material Weakness**

The Township receipts should be posted and deposited timely to ensure the accuracy of the Township's accounting records and financial statements 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.

During 2015, deposits were only made in the Township account in March, May, September, and December, and receipts were only posted to the system in March, April, May, September, and December.

During 2014, deposits were only made in the Township account in March, July, and October, and receipts were posted to the system in January, February, March, May, July, October, November, and December, however only one receipt was posted in the months of January, February, May, October, and November.

Also in 2015, as a result of not making timely deposits, there were 4 checks written to the Township from the State of Ohio for a Fire Grant in the amount of \$10,000 and homestead and rollback reimbursements in the amount of \$3,027, \$3,023, and \$44 that went void because the Township Fiscal Officer did not cash them within 90 days.

The Township's monthly reconciliations reflected the same "Deposits in Transit" amount for several months and reflected "Other Adjusting Factors", due in part, to the Township not posting or depositing receipts timely. 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 and continued delays could result in misstatements to the annual financial statements.

The Fiscal Officer should post receipt items to the Township's ledgers and deposit such items in the Township's bank account in a timely manner. Further, we recommend the Fiscal Officer contact the State of Ohio Office of Budget and Management to have their voided warrants re-issued to the Township.

**Officials' Response:** A more timely deposit schedule has been adopted. The use of the after hours depository at the bank has also been utilized.

**FINDING NUMBER 2015-005**

**Significant Deficiency**

The Township should have internal controls in place 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, 2015, 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 this variance:

**WASHINGTON TOWNSHIP  
HARRISON 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)**

**Significant Deficiency (Continued)**

<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	\$23,046	\$32,521	\$9,475

At December 31, 2014, 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 this variance:

<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	\$24,914	\$29,747	\$4,833

As a result, Township officials could have been making decisions based on inaccurate information. Adjustments, in which management agrees, have been made to Note 3 to the financial statements to reflect the approved appropriation amounts.

The Trustees should approve all appropriation amendments and record approval in the minutes. The Fiscal Officer should then post the approved appropriations plus any amendments to the accounting system.

**Officials' Response:** We have adopted a policy change for quarterly Budget Reviews by Township Trustees and such reviews are posted in the minutes.

**FINDING NUMBER 2015-006**

**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 distribution 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.

In 2015, the Township issued a promissory note in the amount of \$135,000 with The First National Bank of Dennison to purchase a dump truck. In addition, at December 31, 2015 the Township still had an outstanding principal balance of \$26,312 on a promissory note with The First National Bank of Dennison, which was originally issued in 2013 for the purchase of a tractor and loader.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-006  
(Continued)**

**Noncompliance - Ohio Rev. Code Chapter 133 (Continued)**

Because these types of debt are a promissory note between a banking institution and the Township, the notes do 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.

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

**Officials' Response:** We will work closely with the Harrison County Auditor and Harrison County Prosecutor to ensure compliance.

**FINDING NUMBER 2015-007**

**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 2015, the Township's required employee and employer share of contributions to the Ohio Public Employees' Retirement System totaled \$13,720. Of this amount, \$9,459 was paid late. During 2014, the Township's required employee and employer share of contributions to the Ohio Public Employees' Retirement System totaled \$13,898. Of this amount, \$8,406 was paid late. The Township incurred late fees as a result of these late payments.

The Fiscal Officer should remit the required pension payments in a timely manner to avoid future penalties.

**Officials' Response:** We have put procedural changes in place to eliminate late fees. OPERS Employee Contribution System is used as the only source of payment and reporting.



**WASHINGTON TOWNSHIP  
HARRISON 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 2015-008**

**Noncompliance**

Ohio Rev. Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also requires the Township to obtain a County Auditor's Certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

At December 31, 2015, we noted the following funds appropriations exceeded estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Approved Appropriations</u>	<u>Variance</u>
General	\$21,727	\$23,046	(\$1,319)
Motor Vehicle License Tax	26,089	26,762	(673)

At December 31, 2014, we noted the following funds appropriations exceeded estimated resources:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Approved Appropriations</u>	<u>Variance</u>
General	\$24,732	\$24,914	(\$182)
Motor Vehicle License Tax	26,996	28,784	(1,788)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative fund balances.

The Fiscal Officer should ensure that the total appropriations for each fund are within the estimated resources for each fund to avoid possible deficit spending.

**Officials' Response:** We have put procedural changes and quarterly budget reviews by trustees in place to ensure compliance.

**FINDING NUMBER 2015-009**

**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, 2015, we noted the following funds had expenditures in excess of appropriations plus carryover encumbrances:

<u>Fund</u>	<u>Approved Appropriations and Carryover Encumbrances</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$23,713	\$27,735	(\$4,022)
Gasoline Tax	123,837	247,695	(123,858)

**WASHINGTON TOWNSHIP  
HARRISON 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 2015-009  
(Continued)**

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

At December 31, 2014, we noted the following funds had expenditures in excess of appropriations plus carryover encumbrances:

<u>Fund</u>	<u>Approved Appropriations and Carryover Encumbrances</u>	<u>Expenditures</u>	<u>Variance</u>
General	\$26,012	\$29,028	(\$3,016)
Gasoline Tax	78,323	131,271	(52,948)

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.

**Officials' Response:** We have put procedural changes and quarterly budget reviews by trustees in place to ensure compliance.

**FINDING NUMBER 2015-010**

**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 2015, 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 \$3,234 of this amount was paid late.

Additionally during 2015, the Ohio Department of Taxation was due \$466 in state income tax withholdings. We found that \$373 of this amount was paid late.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2015-010  
(Continued)**

**Noncompliance - 26 U.S.C § 3402(a)(1) (Continued)**

During 2014, the Internal Revenue Service was due \$4,122 in federal income tax and medicare withholdings, as well as the employer share of medicare. We noted that none of this amount was paid as of the date of this report.

Additionally, during 2014, the Ohio Department of Taxation was due \$436 in state income tax withholdings. We found that \$123 of this amount was paid late and the remainder of this amount was not paid as of the date of this report.

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.

**Officials' Response:** We have put procedural changes and quarterly budget reviews by trustees in place to eliminate late fees. These unpaid withholdings were an oversight/confusion with the eftps and Ohio Business Gateway reporting system. As soon as I was aware of unpaid withholdings, I contacted the IT representative at the Ohio Business Gateway, and eftps and resolved technical issues. The withholdings were paid at that time. All withholdings, including medicare, federal income tax, and Ohio taxes are up to date as of today. I have instituted a series of checklists that range from weekly, monthly, quarterly, and yearly to ensure all withholdings and reports are submitted within deadlines given.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
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; <b><i>Explain</i></b>
2007-001, 2009-001, 2011-003, 2013-001	Ohio Rev. Code § 505.24(C) regarding improperly charging Trustee's salaries to funds other than the General Fund from prior audits.	No	Not Corrected; Repeated as Finding Number 2015-001.
2013-002	Ohio Rev. Code Chapter 133 regarding illegal debt.	No	Not Corrected; Repeated as Finding Number 2015-006.
2013-003	Ohio Rev. Code § 145.47(B) regarding not timely remitting OPERS payments.	No	Not Corrected; Repeated as Finding Number 2015-007.
2013-004	Ohio Rev. Code § 5705.10(D) for posting Township receipts into improper funds.	No	Not Corrected; Repeated as Finding Number 2015-002.
2013-005	Ohio Rev. Code § 5705.41(B) for expenditures exceeding approved appropriations.	No	Not Corrected; Repeated as Finding Number 2015-009.
2013-006	26 U.S.C. § 3402 (a)(1) and Ohio Rev. Code § 5747.06(A) for not remitting tax withholdings timely.	No	Not Corrected; Repeated as Finding Number 2015-010.
2013-007	Material Weakness – for posting errors.	No	Not Corrected; Repeated as Finding Number 2015-003.
2013-008	Material Weakness – appropriations not posted correctly in the accounting system.	No	Not Corrected; Repeated as Finding Number 2015-005.
2013-009	Significant Deficiency – for untimely posting and depositing of receipts.	No	Not Corrected; Repeated as Finding Number 2015-004.



# 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  
OCTOBER 18, 2016**