



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

WASHINGTON TOWNSHIP  
LAWRENCE COUNTY

REGULAR AUDIT

For the Years Ended December 31, 2015 and 2014  
Fiscal Years Audited Under GAGAS: 2015 and 2014





# Dave Yost • Auditor of State

Board of Trustees  
Washington Township  
25147 State Route 93  
Oak Hill, Ohio 45656

We have reviewed the *Independent Auditor's Report* of Washington Township, Lawrence County, prepared by Balestra, Harr & Scherer, CPAs, 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

November 29, 2016

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**Washington Township  
Lawrence County**

Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report.....	1
Combined Statement of Receipts, Disbursements, and Changes In Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2015.....	3
Combined Statement of Receipts, Disbursements, and Changes In Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2014.....	4
Notes to the Financial Statements .....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	12
Schedule of Findings and Responses .....	14
Schedule of Prior Audit Findings .....	20

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# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Independent Auditor's Report

Washington Township  
Lawrence County  
25147 State Route 93  
Oak Hill, Ohio 45656

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, Lawrence County, (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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (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 Section 117.38 and Ohio Administrative Code Section 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Washington Township, Lawrence 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) permit, described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 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.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
June 24, 2016



**Washington Township  
Lawrence 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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$ 3,685	8,040	\$ 11,725
Intergovernmental	15,357	92,956	108,313
<i>Total Cash Receipts</i>	19,042	100,996	120,038
<b>Cash Disbursements:</b>			
Current:			
General Government	16,335	-	16,335
Public Safety	-	2,042	2,042
Public Works	-	67,218	67,218
Debt Service:			
Redemption of Principal	-	10,720	10,720
Interest and Fiscal Charges	-	1,702	1,702
<i>Total Cash Disbursements</i>	16,335	81,682	98,017
Excess of Receipts Over (Under) Disbursements	2,707	19,314	22,021
<b>Fund Cash Balances, January 1</b>	<b>(32,006)</b>	<b>251,447</b>	<b>219,441</b>
Restricted	-	270,761	270,761
Unassigned (Deficit)	(29,299)	-	(29,299)
<b>Fund Cash Balances, December 31</b>	<b>\$ (29,299)</b>	<b>\$ 270,761</b>	<b>\$ 241,462</b>

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

**Washington Township  
Lawrence 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>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	4,655	8,121	\$ 12,776
Intergovernmental	7,200	87,440	94,640
<i>Total Cash Receipts</i>	<u>11,855</u>	<u>95,561</u>	<u>107,416</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	4,820	-	4,820
Public Safety	-	1,851	1,851
Public Works	-	70,472	70,472
Capital Outlay	-	67,969	67,969
Debt Service:			
Redemption of Principal	-	15,165	15,165
Interest and Fiscal Charges	-	1,277	1,277
<i>Total Cash Disbursements</i>	<u>4,820</u>	<u>156,734</u>	<u>161,554</u>
Excess of Receipts Over (Under) Disbursements	7,035	(61,173)	(54,138)
<b>Other Financing Receipts/(Disbursements):</b>			
Proceeds of Notes	-	67,969	67,969
Total Other Financing Receipts/(Disbursements)	-	67,969	67,969
Net Change in Fund Cash Balances	7,035	6,796	(54,138)
<b>Fund Cash Balances, January 1</b>	<u>(39,041)</u>	<u>244,651</u>	<u>205,610</u>
Restricted	-	251,447	251,447
Unassigned (Deficit)	<u>(32,006)</u>	<u>-</u>	<u>(32,006)</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$ (32,006)</b></u>	<u><b>\$ 251,447</b></u>	<u><b>\$ 219,441</b></u>

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

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

**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, Lawrence 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 and cemetery maintenance.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Township maintains an interest bearing checking account that all funds use. The Township also had two Certificates of Deposit.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for 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 Funds:

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintain, and repairing Township roads.

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Township Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

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

**F. Fund Balance**

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

**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**

Council 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.

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

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

**F. Fund Balance (Continued)**

**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.

**2. Equity in Pooled Deposits**

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

	<u>2015</u>	<u>2014</u>
Demand deposits	\$134,679	\$112,658
Certificates of deposit	\$106,783	\$106,783
Total	<u>241,462</u>	<u>219,441</u>

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

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

**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	\$12,130	\$19,042	\$6,912
Special Revenue	19,425	100,996	81,571
Total	\$31,555	\$120,038	\$88,483

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$17,033	\$16,335	\$698
Special Revenue	92,450	81,682	10,768
Total	\$109,483	\$98,017	\$11,466

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$16,062	\$11,855	(\$4,207)
Special Revenue	97,544	163,530	65,986
Total	\$113,606	\$175,385	\$61,779

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,733	\$1,117	\$11,616
Special Revenue	330,417	160,437	169,980
Total	\$343,150	\$161,554	\$181,596

Contrary to Ohio law, the Township did not use the encumbrance method of accounting.

**4. Property Tax**

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

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

**4. Property Tax (continued)**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. Retirement System**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes the plans 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% 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.

**6. Risk Management**

**Risk Pool Membership**

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

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

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

**Casualty and Property Coverage**

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

**6. Risk Management (Continued)**

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014 (the latest information available).

	<u><b>2015</b></u>	<u><b>2014</b></u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$1,000.

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

<u><b>Contributions to OTARMA</b></u>	
<u><b>2015</b></u>	<u><b>2014</b></u>
\$2,356	\$2,300

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

**7. Deficit Fund Balances**

As of December 31, 2015 and December 31, 2014, the Township had General Fund balances of (\$25,596) and (\$28,303), respectively



**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

**8. Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**9. Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest</u>
Equipment Loan	\$49,044	3%

In March of 2014 the Township took out a loan for \$67,969 at an interest rate of 3.0% from The Milton Banking Company. The loan was acquired in order to purchase equipment.

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

<u>Year ending December 31:</u>	<u>Equipment Loan</u>
2016	\$12,422
2017	\$12,422
2018	\$12,422
2019	\$12,422
2020	\$2,788
Total	<u>\$52,476</u>



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Washington Township  
Lawrence County  
25147 State Route 93  
Oak Hill, Ohio 45656

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 disbursements, receipts and disbursements by fund type of Washington Township, Lawrence County, (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 June 24, 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.

### ***Internal Control Over Financial Reporting***

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

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-005 to be material weakness.

Board of Trustees  
Washington Township, Lawrence County  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by *Government Auditing Standards*  
Page 2

***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, 2015-004 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.

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
June 24, 2016

WASHINGTON TOWNSHIP  
LAWRENCE 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

**Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**1. "Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from 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 without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

**2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the 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.

**WASHINGTON TOWNSHIP  
LAWRENCE 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 2015-001 (Continued)**

**Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.4(D)(1) (Continued)**

The Fiscal Officer did not certify the availability of funds prior to purchase commitments being made for 100% of the expenditures in 2014 and in 2015. The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that 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.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurrent. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY**

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

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

**FINDING NUMBER 2015-002**

**Material Weakness – Monitoring Activity**

Sound internal control policies require management and the Board of Trustees to monitor the financial activity of the Township. Actual revenues and expenses should be compared to budgeted amounts each month and reported to and reviewed by the Board of Trustees. The Board of Trustees should determine the reasons why actual expenditures exceeded or were less than budgeted expenditures by making inquiries to fair management about the reasons. Additionally, the Board of Trustees should compare their actual cash balances to budgeted cash balance at the end of each month. When actual cash balances are below budgeted cash balances, the Township should look for ways to increase revenues and/or decrease expenditures budgeted in the upcoming months so as to achieve the budgeted cash balance.

There was no documentation of the extent to which the Board of Trustees used financial information to monitor the financial activity of the Township. The lack of financial information provided to the Board of Trustees for review each month hampered the Board of Trustees' ability to effectively monitor the financial activity and position of the Township. For each regular Board of Trustees' meeting, the Fiscal Officer should provide a detailed budget and financial statements, lists of investments, cash balances and checks paid.

The Board of Trustees should carefully review this information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Township. This information can help answer questions such as the following:

Inquiries Relevant to Overall Township Operations:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?

In order to effectively monitor the financial activity of the Township, we recommend the Board of Trustees review and accept/ approve the monthly financial information provided by the Fiscal Officer. The review of this information should be noted in the minutes of the meetings of the Board of Trustees.

**WASHINGTON TOWNSHIP  
LAWRENCE 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**

**Material Weakness – Financial Reporting**

Accurate financial reporting is an important part of the Township's overall purpose. Financial reporting requires internal controls in place to help ensure accuracy of reporting.

The Township had numerous adjustments and reclassifications due to errors noted in the receipting and disbursing process. The following areas had audit adjustments and reclassifications made to the Township's financial statements.

- Intergovernmental Revenues
- Property and Other Local Taxes
- Debt Principal and Interest Payments
- Public Works
- Capital outlay

The audited financial statements and Township records have been adjusted for the misstatements above.

The aforementioned errors were the results of a lack of internal controls of financial reporting.

The presentation of materially incorrect financial statements is the responsibility of management. Lack of a properly presented financial statements review process could inhibit its financial accountability to both the public and the Trustees, which they may use to facilitate Township decisions.

The Township should implement internal control procedures that enable management to identify, prevent, detect and correct potential misstatements in the financial statements.

**WASHINGTON TOWNSHIP  
LAWRENCE 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**

**Noncompliance/Material Weakness - Ohio Admin Code Section 117-2-02(A) and (D)**

Ohio Admin. Code Section 117-2-02(A) requires public offices to 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.

Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include the following:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of receipt of each fund.
3. Appropriation ledger, which assembles and classifies disbursements into separate accounts, for at a minimum, each account listed in the appropriation resolution.
4. In addition, all local public offices should maintain or provide Payroll records including:
  - W-2 forms, W-4 forms and other withholding records and authorizations;
  - Payroll journal that records, assembles and classifies by pay period the name of employee, social security number, hours worked, wage rates, pay date, withholdings by type, net pay, and other compensation paid to an employee (such as a termination payment), and the fund and account charged for the payments;
  - Check register that includes, in numerical sequence, the check number, payee, net amount, and the date;
  - Information regarding non-monetary benefits such as car usage and life insurance
  - Information, by employee, regarding leave balances and usage.

Using these 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 maintains a manual accounting system, which included the required ledgers and journals indicated above. However, there were numerous errors in the ledgers and journals which resulted in adjusting entries being made. Some disbursements posted to the cash journal were not posted to the appropriation ledger. The payroll ledgers were incomplete and contained errors. Also, personnel files including payroll withholding documentation were not available for audit. Also, while a reconciliation of township records to bank statements was performed on a monthly basis, the reconciliation documentation was not clear in some cases.



**WASHINGTON TOWNSHIP  
LAWRENCE 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 (Continued)**

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

In addition, the reports provided to the Auditor of State for audit were significantly deficient and misstated. The receipts were not reported so as to correctly reflect each source. The expenditures were not reported so as to correctly reflect each purpose. In addition, the Financial Statements did not agree to the underlying accounting records provided by the Fiscal Officer. Significantly deficient and misstated financial reports make it difficult for management to monitor financial performance and for the Township to be transparent to the public in its financial activity.

This led to increased time in completion of our procedures and increased audit fees.

We recommend the Township properly maintain the accounting records and reconcile the cash journal to the bank balances and to the receipts ledger and appropriation ledger monthly.

**WASHINGTON TOWNSHIP  
LAWRENCE COUNTY  
DECEMBER 31, 2015 AND 2014**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2013-001	ORC Section 5705.10 - Negative fund balances	Yes	No longer valid; no longer part of the OCS
2013-002	ORC Section 5705.36(A)(4) - Appropriations exceed estimated resources	Yes	No longer valid; no longer part of the OCS
2013-003	ORC Section 5705.41(B) - Expenditures exceed appropriations	Yes	
2013-004	ORC Section 5705.41(D)(1) - Certifying availability of funds before expenditure	No	Reissued as 2015-002
2013-005	Material Weakness - Monitoring Activity	No	Reissued as 2015-003
2013-006	Material Weakness - Financial reporting	No	Reissued as 2015-004
2013-007	ORC Section 117-2-02(A) - Accounting System and accounting records	No	Reissued as 2015-005
2013-008	ORC Section 505.24(C) – Board compensation	Yes	
2013-009	ORC Section 505.601 – Insurance reimbursements	Yes	



# Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

LAWRENCE 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  
DECEMBER 13, 2016