



Dave Yost • Auditor of State



**WASHINGTON TOWNSHIP  
HARRISON COUNTY  
DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016.

### ***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 such 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 2 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, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

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

Ohio Revised 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. In addition, during 2017 and 2016, payroll certifications for the Trustees indicated 90% of their salaries were to be charged to the Road and Bridge Fund. Our testing indicated that 90% of the salaries were improperly charged to the Gasoline Tax Fund. Findings for adjustment issued 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, 2016, December 31, 2016, and December 31, 2017, a decrease in the fund balance and increase in expenditures of the Road and Bridge Fund in the amount of \$23,305 at December 31, 2016 and a decrease in fund balance in the amount of \$43,777 and an increase in the expenditures in the amount of \$20,472 at December 31, 2017, an increase in the fund balance of the Gasoline Tax Fund in the amount of \$63,282 at January 1, 2016, an increase in the fund balance in the amount of \$86,587 and decrease in the expenditures in the amount of \$23,305 of the Gasoline Tax Fund at December 31, 2016, and an increase in the fund balance in the amount of \$107,059 and decrease in the expenditures in the amount of \$20,472 of the Gasoline Tax Fund at December 31, 2017 and an increase in the fund balance of the Motor Vehicle License Tax Fund, in the amount of \$7,012 at January 1, 2016, December 31, 2016, and December 31, 2017.

***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 cash balances, receipts and disbursements by fund type, and related notes of Washington Township, Harrison County as of December 31, 2017 and 2016, 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 2.

***Emphasis of Matter***

As discussed in Note 12 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 \$59,189 fund balance at December 31, 2017 and a negative \$61,781 fund balance at December 31, 2016. 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 November 15, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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

November 15, 2018

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**Washington Township**  
*Harrison County, Ohio*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$18,103	\$35,006	\$53,109
Intergovernmental	22,660	108,461	131,121
Earnings on Investments	16	3	19
<i>Total Cash Receipts</i>	<u>40,779</u>	<u>143,470</u>	<u>184,249</u>
<b>Cash Disbursements</b>			
Current:			
General Government	34,367	0	34,367
Public Safety	120	17,105	17,225
Public Works	0	147,011	147,011
Health	1,089	0	1,089
Capital Outlay	0	12,368	12,368
Debt Service:			
Principal Retirement	3,274	32,426	35,700
Interest and Fiscal Charges	564	5,072	5,636
<i>Total Cash Disbursements</i>	<u>39,414</u>	<u>213,982</u>	<u>253,396</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,365</u>	<u>(70,512)</u>	<u>(69,147)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	1,227	25,590	26,817
<i>Total Other Financing Receipts</i>	<u>1,227</u>	<u>25,590</u>	<u>26,817</u>
<i>Net Change in Fund Cash Balances</i>	2,592	(44,922)	(42,330)
<i>Fund Cash Balances, January 1</i>	<u>8,513</u>	<u>99,553</u>	<u>108,066</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	43,504	43,504
Committed	0	11,127	11,127
Unassigned (Deficit)	11,105	0	11,105
<i>Fund Cash Balances, December 31</i>	<u>\$11,105</u>	<u>\$54,631</u>	<u>\$65,736</u>

See accompanying notes to the financial statements.

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**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Basis of Accounting***

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.

***Budgetary Process***

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

**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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.

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

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

A summary of 2017 budgetary activity appears in Note 4.

**Capital Assets**

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

**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:

**Nonspendable** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**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.

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

**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*  
*For the Year Ended December 31, 2017*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax Fund by \$23,540, for the year ended December 31, 2017. Also contrary to Ohio law, appropriation authority exceeded the total of the estimated revenue available for expenditure in the General and Gasoline Tax Funds in the amounts of \$7,368 and \$7,915, respectively, for the year ended December 31, 2017.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$24,050	\$42,006	\$17,956
Special Revenue	104,400	169,060	64,660
Total	\$128,450	\$211,066	\$82,616

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,134	\$40,619	\$515
Special Revenue	203,569	216,553	(12,984)
Total	\$244,703	\$257,172	(\$12,469)

**Note 5 – 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:

	2017
Demand deposits	\$65,736

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 6 – Property Taxes**

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.

**Note 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.

**Note 8 – Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

All 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 10 – Debt**

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Promissory Note - Tractor	\$8,912	4.25%
Promissory Note - Truck	81,000	4.25%
Total	\$89,912	

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.

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***

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

Year Ending December 31:	Promissory Note - Tractor	Promissory Note - Truck
2018	\$9,296	\$30,490
2019	0	29,327
2020	0	28,163
Total	\$9,296	\$87,980

**Note 11 – 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.

**Note 12 – Financial Difficulties**

At December 31 2017, the Township’s General Fund had a fund cash balance of \$11,105. However, the Township has unposted findings for adjustment from prior audits totaling \$70,294 against the General Fund and in favor of restricted funds. Additionally, the Township’s Gasoline Tax Fund had a fund cash balance of \$12,381 at December 31, 2017. The Township has unposted findings for adjustment from the current audit of \$44,169 against the Gasoline Tax Fund and in favor of the Road and Bridge Fund. If the Township posted the findings for adjustment, the General and Gasoline Tax Funds would have deficit fund cash balances of \$59,189 and \$31,788, respectively. Township management currently does not have a plan in place to address this matter.

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**Washington Township**  
*Harrison County, Ohio*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Governmental Fund Types**  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,102	\$23,853	\$38,955
Intergovernmental	18,574	165,635	184,209
Earnings on Investments	8	23	31
<i>Total Cash Receipts</i>	<u>33,684</u>	<u>189,511</u>	<u>223,195</u>
<b>Cash Disbursements</b>			
Current:			
General Government	29,465	0	29,465
Public Safety	9,998	51,234	61,232
Public Works	0	153,205	153,205
Health	1,073	0	1,073
Conservation-Recreation	0	193	193
Capital Outlay	0	13,662	13,662
Debt Service:			
Principal Retirement	0	35,700	35,700
Interest and Fiscal Charges	0	6,970	6,970
<i>Total Cash Disbursements</i>	<u>40,536</u>	<u>260,964</u>	<u>301,500</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,852)</u>	<u>(71,453)</u>	<u>(78,305)</u>
<b>Other Financing Receipts</b>			
Other Financing Sources	3,880	53,342	57,222
<i>Total Other Financing Receipts</i>	<u>3,880</u>	<u>53,342</u>	<u>57,222</u>
<i>Net Change in Fund Cash Balances</i>	(2,972)	(18,111)	(21,083)
<i>Fund Cash Balances, January 1</i>	<u>11,485</u>	<u>117,664</u>	<u>129,149</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	90,143	90,143
Committed	0	9,410	9,410
Assigned	8,513	0	8,513
<i>Fund Cash Balances, December 31</i>	<u><u>\$8,513</u></u>	<u><u>\$99,553</u></u>	<u><u>\$108,066</u></u>

See accompanying notes to the financial statements.

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**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the 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.

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

***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*** The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

***Basis of Accounting***

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.

**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Budgetary Process***

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

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

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

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

A summary of 2016 budgetary activity appears in Note 4.

***Capital Assets***

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

***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:

***Nonspendable*** The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

***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.

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

***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*  
*For the Year Ended December 31, 2016*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

*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.

**Note 3 – Compliance**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Gasoline Tax and Fire District Funds by \$20,845 and \$33,875, respectively, for the year ended December 31, 2016. Also contrary to Ohio law, appropriation authority exceeded the total of the estimated revenue available for expenditure in the General, Gasoline Tax and Fire District Funds in the amounts of \$8,482, \$8,015 and \$8,906, respectively, for the year ended December 31, 2016.

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$23,500	\$37,564	\$14,064
Special Revenue	101,065	242,853	141,788
Total	\$124,565	\$280,417	\$155,852

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,109	\$41,739	\$2,370
Special Revenue	220,882	266,515	(45,633)
Total	\$264,991	\$308,254	(\$43,263)

**Note 5 – 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:

	2016
Demand deposits	\$108,066

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 – Property Taxes**

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.

**Note 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.

**Note 8 – Defined Benefit Pension Plan**

*Ohio Public Employees Retirement System*

All 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**Washington Township**  
*Harrison County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 10 – Debt**

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Promissory Note - Tractor	\$17,612	4.25%
Promissory Note - Truck	108,000	4.25%
Total	\$125,612	

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.

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***

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

Year Ending December 31:	Promissory Note - Tractor	Promissory Note - Truck
2017	\$9,479	\$31,654
2018	9,296	30,490
2019	0	29,327
2020	0	28,163
Total	\$18,775	\$119,634

**Note 11 – 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.

**Note 12 – Financial Difficulties**

At December 31 2016, the Township’s General Fund had a fund cash balance of \$8,513. 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 \$61,781. 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, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated November 15, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We also 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 and current 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 2017-004, 2017-005, and 2017-009 through 2017-011 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 2017-012 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 2017-001 and 2017-008.

***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 subject the Township's responses to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



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

November 15, 2018

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Finding For Recovery Repaid Under Audit**

Ohio Rev. Code § 507.09(A)(2) provides in calendar year 2016, in townships having a budget of more than two hundred fifty thousand but not more than five hundred fifty thousand dollars, the township fiscal officer shall be entitled to compensation of thirteen thousand three hundred seventy dollars.

Prior to the Fiscal Officer taking office on April 1, 2016, her annual salary would have been \$12,733; therefore her monthly salary should have been based on this salary amount for January 2016 through March 2016. After beginning a new term effective April 1, 2016, the Fiscal Officer would have been eligible for a raise to a new annual salary amount of \$13,370. Therefore, her monthly salary should have been based on this salary amount for April 2016 through December 2016. As a result, for 2016 the Fiscal Officer should have been paid \$13,211; however, the Fiscal Officer was paid \$13,370 for an overpayment of \$159.

The Township did not have control procedures in place to ensure that officials were paid at the correct amount in accordance with statute.

In accordance with the foregoing facts and circumstances, and, pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Donna Carpenter, Fiscal Officer, in the amount of \$159 and in favor of Washington Township's General Fund.

Fiscal Officer Donna Carpenter repaid the \$159 on August 15, 2018 on receipt number 49-2018. The amount was paid into Washington Township's General Fund.

At the beginning of each year the Township Fiscal Officer should obtain the most current Official Compensation Chart from the Ohio Township Association to help ensure Township officials are paid the correct amount based on the Township's budget and each Township officials' term.

**Officials' Response:** Finding is repaid.

**FINDING NUMBER 2017-002**

**Finding For Recovery Repaid Under Audit**

Per Ohio Rev. Code § 505.24 Township Trustee salaries are based on the annual budget of the township. The increase for 2017, per House Bill 64 (131st General Assembly) is 5 percent. Only those township officials elected or appointed after September 29, 2015 are entitled to the increase in 2017, as current officials are not eligible for midterm increases pursuant to the Ohio Constitution.

Trustee Crabtree whose term started January 1, 2014 and ended December 31, 2017 was required to be paid based on the compensation amounts in effect at the start of his term. As the Township's budget fell in the \$100,000 to \$250,000 salary range for 2017, this Trustee should have been compensated \$7,332. However, Trustee Crabtree was compensated an annual salary of \$7,550, which resulted in an overpayment of \$218.

The Township did not have control procedures in place to ensure that officials were paid at the correct amount in accordance with statute.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002  
(Continued)**

**Finding For Recovery Repaid Under Audit (Continued)**

In accordance with the foregoing facts and circumstances, and, pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Doug Crabtree, Trustee, in the amount of \$218 and in favor of Washington Township's General Fund in the amount of \$22 and Gasoline Tax Fund in the amount of \$196.

Trustee Doug Crabtree repaid the \$218 on August 15, 2018 on receipt number 48-2018. The amount was paid into Washington Township's General Fund and Gasoline Tax Fund.

At the beginning of each year the Township Fiscal Officer should obtain the most current Official Compensation Chart from the Ohio Township Association to help ensure Township officials are paid the correct amount based on the Township's budget and each Township officials' term.

**Officials' Response:** Finding is repaid.

**FINDING NUMBER 2017-003**

**Finding For Recovery Repaid Under Audit**

Per Ohio Rev. Code § 505.24 Township Trustee salaries are based on the annual budget of the township. The increase for 2017, per House Bill 64 (131st General Assembly) is 5 percent. Only those township officials elected or appointed after September 29, 2015 are entitled to the increase in 2017, as current officials are not eligible for midterm increases pursuant to the Ohio Constitution.

Trustee Smith whose term started January 1, 2014 and ended December 31, 2017 was required to be paid based on the compensation amounts in effect at the start of his term. As the Township's budget fell in the \$100,000 to \$250,000 salary range for 2017, this Trustee should have been compensated \$7,332. However, Trustee Smith was compensated an annual salary of \$7,550, which resulted in an overpayment of \$218.

The Township did not have control procedures in place to ensure that officials were paid at the correct amount in accordance with statute.

In accordance with the foregoing facts and circumstances, and, pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Corey Smith, Former Township Trustee, in the amount of \$218 and in favor of Washington Township's General Fund in the amount of \$22 and Gasoline Tax Fund in the amount of \$196.

Fiscal Officer Donna Carpenter repaid the \$218 on August 15, 2018 on receipt number 49-2018. The amount was paid into Washington Township's General Fund and Gasoline Tax Fund.

At the beginning of each year the Township Fiscal Officer should obtain the most current Official Compensation Chart from the Ohio Township Association to help ensure Township officials are paid the correct amount based on the Township's budget and each Township officials' term.

**Officials' Response:** Finding is repaid.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-004**

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

Ohio Rev. Code § 505.24(D) 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(D) 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 2017 and 2016, payroll certifications for the Trustees indicated 90% of their salaries were to be charged to the Road and Bridge Fund. Our testing indicated that 90% of the salaries, which totaled \$20,472 in 2017 and \$23,305 in 2016, were improperly charged to the Gasoline Tax Fund.

Additionally, 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, 2012-2013, and 2014-2015 audits. This is noted in the Schedule of Prior Audit Findings as Finding Numbers: 2007-001, 2009-001, 2011-003, 2013-001, and 2015-001.

The Township should ensure official salaries are posted to funds that are in accordance with the payroll certification forms. Additionally, 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 addition to the current audit errors. In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for \$70,294 and the Road and Bridge Fund for \$43,777 and in favor of the Gasoline Tax and Motor Vehicle License Tax Funds for \$107,059 and \$7,012, respectively.

**Officials' Response:** The Fiscal Officer has corrected this in the current year, but because of budget constraints is unable to make corrections from previous years.

**FINDING NUMBER 2017-005**

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

Ohio Rev. Code § 5705.10(C) states all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Further, Ohio Rev. Code § 5705.10(D) states 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.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005  
(Continued)**

**Finding for Adjustment, Material Weakness and Noncompliance – Ohio Rev. Code § 5705.10(C) and § 5705.10(D) (Continued)**

The following adjustments have been agreed to by Township's management and have been posted to the Township's accounting records and are reflected in the accompanying financial statements in 2017:

- The second half manufactured home tax settlement in the amounts of \$90, \$75 and \$92 for the General, Road and Bridge, and Fire District Funds, respectively, were deposited with the Township's financial institution, however were not posted to the Township's ledgers.
- The September 2017 gas excise tax received from the Harrison County Auditor in the amount of \$4,892 was deposited with the Township's financial institution, however was not posted to the Township's ledgers in the Gasoline Tax Fund.
- The second half real estate homestead and rollback, as well as the second half manufactured home rollback, in the total amounts of \$1,131, \$942 and \$1,012 for the General, Road and Bridge, and Fire District Funds, respectively, were deposited with the Township's financial institution, however were not posted to the Township's ledgers.
- A check for \$1,400 that was received from a logging company to be used for stone for the Township's roads was deposited with the Township's financial institution, but was not posted to the Township's ledgers in the Gasoline Tax Fund.

The following adjustments have been agreed to by Township's management and have been posted to the Township's accounting records and are reflected in the accompanying financial statements in 2016:

- A portion of the Township Supplement - Local Gov't monies in the amount of \$2,527 was improperly posted as other financing sources in the Gasoline Tax Fund, rather than intergovernmental in the General Fund.
- A road repair/ maintenance related receipt in the amount of \$6,000 was improperly posted as other financing sources in the General Fund, rather than Gasoline Tax Fund.
- The second half manufactured home homestead monies in the amounts of \$21, \$18 and \$22 for the General, Road and Bridge, and Fire District Funds, respectively, were deposited with the Township's financial institution, however were not posted to the Township's ledgers.

The following adjustments have been presented to Township's management; however, were not posted to the Township's accounting records as of date of audit report:

- During 2017, the Township posted homestead and rollback proceeds of \$1,083 to the Road and Bridge Fund, which should have been posted to the General Fund.
- During 2016, the Township posted a portion of the second half real estate settlement in the amount of \$4,131 to the Gasoline Tax Fund, which should have been posted to the Road and Bridge Fund.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the Washington Township, Harrison County Gasoline Tax Fund in the amount of \$4,131 and in favor of the General and Road and Bridge Funds in the amounts of \$1,083 and \$3,048.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005  
(Continued)**

**Finding for Adjustment, Material Weakness and Noncompliance – Ohio Rev. Code § 5705.10(C) and § 5705.10(D) (Continued)**

The Township did not have control procedures in place to ensure receipts are posted to the correct fund. Not having procedures in place to ensure proper posting of receipts could result in material errors to the financial statements, which may go undetected.

The Township Fiscal Officer should post receipts to the proper fund based upon its source. In addition, the Fiscal Officer should post all receipts and deductions to the proper funds in accordance with the semi-annual tax apportionment sheets as received from the County Auditor.

**Officials' Response:** The Fiscal Officer will work to ensure funds are placed into the proper accounts.

**FINDING NUMBER 2017-006**

**Noncompliance**

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Ohio Rev. Code § 133.22 allows a subdivision to issue anticipatory securities; Ohio Rev. Code § 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; Ohio Rev. Code § 133.15 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 Ohio Rev. Code § 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.

The Township has outstanding commercial promissory notes with a local banking institution that were issued to purchase equipment. This type of debt does not meet the criteria for any of the debt allowed in Ohio Rev. Code Chapter 133.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Township should consult with legal counsel before incurring debt to determine the debt is authorized by statute.

**Officials' Response:** The Trustees and Fiscal Officer will take this under advisement.

**FINDING NUMBER 2017-007**

**Noncompliance**

Ohio Rev. Code § 5705.39 provides, in part, that the total appropriations from each fund shall not exceed the total estimated resources.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-007  
(Continued)**

**Noncompliance – Ohio Rev. Code § 5705.39 (Continued)**

Approved appropriations exceeded estimated resources in the following funds in 2017:

Fund	Approved Appropriations	Estimated Resources	Variance
General	\$39,931	\$32,563	(\$7,368)
Gasoline Tax	132,946	125,031	(7,915)

Approved appropriations exceeded estimated resources in the following funds in 2016:

Fund	Approved Appropriations	Estimated Resources	Variance
General	\$43,467	\$34,985	(\$8,482)
Gasoline Tax	172,000	163,985	(8,015)
Fire District	17,552	8,646	(8,906)

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

The Township should regularly monitor appropriations and estimated resources to ensure that appropriations do not exceed the total estimated resources available for expenditure in each fund. This will help to reduce the risk of overspending within the Township and will add a measure of control over the Township's budgetary process.

**Officials' Response:** Fiscal officer will more closely monitor funds and expenditures to keep this from occurring.

**FINDING NUMBER 2017-008**

**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 as provided in such chapter.

Expenditures exceeded appropriations in the following fund in 2017:

Fund	Approved Appropriations plus Carry-over Encumbrances	Actual Expenditures (including current encumbrances)	Variance
Gasoline Tax	\$136,564	\$160,104	(\$23,540)



**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-008  
(Continued)**

**Noncompliance – Ohio Rev, Code § 5705.41(B) (Continued)**

Expenditures exceeded appropriations in the following funds in 2016:

Fund	Approved Appropriations plus Carry-over Encumbrances	Actual Expenditures (including current encumbrances)	Variance
Gasoline Tax	\$172,729	\$193,574	(\$20,845)
Fire District	17,552	51,427	(33,875)

Failure to limit expenditures to the amount appropriated could result in overspending and negative fund balances.

The Township should regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the Township's budgetary process.

**Officials' Response:** Fiscal officer will monitor funds and expenditures to keep this from occurring.

**FINDING NUMBER 2017-009**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The Township should maintain an accounting system and accounting records sufficient to enable the Township 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 2018) provides suggested account classifications. These accounts classify receipts by fund and source (property taxes or intergovernmental revenue, 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. In addition, The UAN Accounting and General Manual (revised November 2017) provides five suggested fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

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

**FINDING NUMBER 2017-009  
(Continued)**

**Material Weakness (Continued)**

The Township did not always record receipts and disbursements into accurate classifications on the financial statements. Also, the Township did not properly classify its December 31, 2017 and 2016 governmental fund cash balances in accordance with Governmental Accounting Standards Board (GASB) *Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010.

We noted the following in 2017:

- Township Supplement - Local Government monies in the total amount of \$7,581 were improperly classified as Other Financing Sources, rather than Intergovernmental in the General Fund.
- A debt payment totaling \$31,657 was improperly classified as Capital Outlay in the General and Gasoline Tax Funds, and Public Works in the Road and Bridge Fund, rather than Debt Service - Principal of \$3,274, \$19,191 and \$4,535 and Debt Service - Interest of \$564, \$3,310 and \$783 in the General, Gasoline Tax and Road and Bridge Funds, respectively.
- The General Fund portion of the Trustee salaries totaling \$2,318 was improperly classified as Health, rather than General Government.
- The ending fund balance in the Road and Bridge Fund in the amount of \$11,127 was improperly classified as Restricted, rather than Committed.
- A debt payment totaling \$9,679 was improperly classified as Capital Outlay in the Gasoline Tax fund, rather than Debt service - Principal of \$8,700 and Debt Service - Interest and Fiscal Charges of \$979.
- Lodging excise taxes in the amount of \$1,101 were improperly classified as Other Financing Sources, rather than Intergovernmental in the General Fund.
- A worker's compensation payment in the amount of \$160 was not posted to the Township's accounting records in the General Fund as a General Government expenditure.

We noted the following in 2016:

- A portion of the Township Supplement - Local Government monies in the amount of \$5,054 were improperly classified as Other Financing Sources, rather than Intergovernmental in the General Fund.
- Lodging excise taxes amounting to \$2,031 were improperly classified as Other Financing Sources, rather than Intergovernmental in the General Fund.
- Fire Marshall grant monies totaling \$57,982 were improperly classified as Other Financing Sources, rather than Intergovernmental in the Fire District Fund.
- Debt payments totaling \$42,670 were improperly paid from Capital Outlay, rather than Debt Service - Principal of \$35,700 and Debt Service - Interest of \$6,970 in the Gasoline Tax Fund.
- Purchased fire equipment was improperly charged as Public Works and Health in the amounts of \$1,795 and \$8,083, respectively, rather than to Public Safety in the General Fund.
- The General Fund portion of the Trustee salaries totaling \$2,589 was improperly classified as Health, rather than General Government.
- The ending fund balance in the Road and Bridge Fund in the amount of \$9,410 was improperly classified as Restricted, rather than Committed.
- The ending fund balance in the General Fund in the amount of \$8,513 was improperly classified as Unassigned, rather than Assigned due to subsequent year appropriations exceeding estimated receipts.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-009  
(Continued)**

**Material Weakness (Continued)**

- A portion of the purchase of fire equipment totaling \$32,002 was improperly charged as Conservation - Recreation, rather than Public Safety in the Fire District Fund.

The reclassifications noted above, with which management agrees, have been made and are reflected in the accompanying financial statements.

In addition, we also identified additional misstatements ranging from \$626 to \$3,360 in 2017 and \$666 to \$1,680 in 2016 that we have brought to the Township's attention and are not reflected in the accompanying financial statements due to their insignificance.

The Township did not have procedures in place to accurately post receipts, disbursements, and fund balance in the correct classification to the accounting system.

Not properly reporting financial activity could result in material misstatements occurring and remaining undetected and increases the risk that management would not be provided an accurate picture of the Township's financial position and operations.

The Township should take the necessary steps to ensure that all receipts, disbursements and fund balances are properly presented and disclosed in the Township's financial statements. When classifying fund balance in accordance with GASB 54 the Fiscal Officer should refer to Auditor of State Bulletin 2011-004 for guidance.

**Officials' Response:** Fiscal Officer will monitor and double check funds and accounts to ensure this takes place.

**FINDING NUMBER 2017-010**

**Material Weakness**

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records, and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

Township receipts should be posted and deposited timely to ensure the accuracy of the Township's accounting records and prevent the loss of Township revenue.

Our testing disclosed that while some receipts were posted and deposited timely, others were held by the Fiscal Officer for an extensive period of time.

During 2017, deposits were only made in the Township account by the Fiscal Officer in January, March, May, August, October, November and December. Receipts were only posted to the system in May, August, October and December.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-010  
(Continued)**

**Material Weakness (Continued)**

During 2016, deposits were only made in the Township account by the Fiscal Officer in February, April, June, September, November and December. Receipts were posted to the system in February, June, September, November, October and December; however, only one receipt was posted in the month of October.

The Township's monthly reconciliations 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.

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. In addition, the Trustees should review the monthly cash reconciliations including the related support (such as "other adjusting factors") and document the reviews.

**Officials' Response:** Fiscal Officer will utilize night deposit and request direct deposit for county funds.

**FINDING NUMBER 2017-011**

**Material Weakness**

Sound accounting practices require accurately posting estimated receipts and appropriations to the accounting system to provide information for budget versus actual comparison and to allow the Trustees to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriations in the accounting system provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Trustees are precisely stated and accurately posted to the accounting system.

The original certificate and amendments establish the amounts available for expenditures for the Township and the estimated receipts per the accounting system provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the accounting system.

The Fiscal Officer did not properly post budgeted receipts or appropriations, and any amendments made to them, to the accounting system. Variances existed between the certificate of estimated resources and appropriation resolutions to the amounts posted to the accounting system.

The following variances occurred in 2017:

Fund	Estimated Receipts per Official Certificate	Estimated Receipts posted to the accounting system	Variance
General	\$24,050	\$36,050	\$12,000
Gasoline Tax	60,000	95,800	35,800
Road and Bridge	14,300	16,300	2,000

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-011  
(Continued)**

**Material Weakness (Continued)**

Fund	Approved Appropriations	Appropriation amount posted to the accounting system	Variance
General	\$39,931	\$45,140	\$5,209
Gasoline Tax	132,946	156,946	24,000
Road and Bridge	22,900	26,542	3,642

The following variances occurred in 2016:

Fund	Estimated Receipts per Official Certificate	Estimated Receipts posted to the accounting system	Variance
General	\$23,500	\$41,757	\$18,257
Gasoline Tax	57,080	92,080	35,000
Fire District	17,300	66,962	49,662

Fund	Approved Appropriations	Appropriation amount posted to the accounting system	Variance
General	\$43,467	\$50,867	\$7,400
Gasoline Tax	172,000	194,500	22,500
Fire District	17,552	59,232	41,680

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. Because the information entered into the accounting system was inaccurate, the Township management was unable to effectively monitor budgetary activity throughout the year. Adjustments were made to the budgetary activity reported in the notes to the financial statements in order to accurately present budgeted receipts as certified by the County Auditor and appropriations as approved by the Township Trustees.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Fiscal Officer should record estimated receipts per the Official / Amended Certificate of Estimated Resources and appropriations per the Appropriation Resolution, as well as all amendments. In addition, the Fiscal Officer should periodically present budget versus actual results to the Board of Trustees. As part of their monitoring responsibilities, the Board of Trustees should review this information and should inquire to the Fiscal Officer if they note apparent errors in the budget or actual data and should also use this information to determine if they should amend estimated revenues or appropriations.

**Officials' Response:** Trustees and Fiscal Officer are working to have everyone aware of township funds and budgets.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2017 AND 2016  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-012**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Township's staff did not allow for an adequate segregation of duties as the Fiscal Officer performed all accounting functions. Therefore, it is important that the Board of Trustees functions as a finance committee to monitor financial activity closely. With the exception to the monthly payment listing, there was no documentation in the minutes of the Trustees' approval of bank reconciliations, monthly activity of revenues and expenditures by fund, or budget versus actual reports received in Township meetings.

No management oversight could result in the accounting system of the Township not being posted up-to-date, errors in the monthly bank reconciliation, and errors and omissions occurring in the Township's accounting system and going unnoticed by management.

Financial information should be presented to the Trustees on a regular basis. This information should include monthly bank reconciliations, as well as monthly revenue and expenditure activity by fund, and budget versus actual reports. The presentation and approval of these reports should be documented in the board minutes of the Township meetings.

**Officials' Response:** Bi-Monthly meetings have reports printed and upcoming expenditures discussed during open meeting.

# WASHINGTON TOWNSHIP

HARRISON COUNTY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001 2013-001 2011-003 2009-001 2007-001	Ohio Rev. Code § 505.24(C) regarding improperly charging Trustee's salaries to funds other than the General Fund from prior audits.	Not Corrected	The Fiscal Officer has corrected this in the current year, but because of budget constraints is unable to make corrections from previous years.
2015-002	Ohio Rev. Code § 5705.10(D) for posting Township receipts into improper funds.	Not Corrected	The Fiscal Officer will work to ensure funds are placed into the proper accounts.
2015-003	Material Weakness – for posting errors.	Not Corrected	Fiscal Officer will monitor and double check funds and accounts to ensure this takes place.
2015-004	Material Weakness – for untimely posting and depositing of receipts.	Not Corrected	Fiscal Officer will utilize night deposit and request direct deposit for county funds.
2015-005	Significant Deficiency – budgetary amounts not posted correctly in the accounting system.	Not Corrected	Trustees and Fiscal Officer are working to have everyone aware of township funds and budgets.
2015-006	Ohio Rev. Code Chapter 133 regarding illegal debt.	Not Corrected	The Trustees and Fiscal Officer will take this under advisement
2015-007	Ohio Rev. Code § 145.47(B) regarding not timely remitting OPERS payments.	Partially Corrected	The Fiscal Officer will continue to work to ensure the OPERS payments are made timely.
2015-008	Ohio Rev. Code § 5705.39 for appropriations exceeding estimated resources.	Not Corrected	Fiscal officer will more closely monitor funds and expenditures to keep this from occurring.
2015-009	Ohio Rev. Code § 5705.41(B) for expenditures exceeding approved appropriations.	Not Corrected	Fiscal officer will monitor funds and expenditures to keep this from occurring.
2015-010	26 U.S.C. § 3402 (a)(1) and Ohio Rev. Code § 5747.06(A) for not remitting tax withholdings timely.	Partially Corrected	The Fiscal Officer will continue to work to ensure the tax payments are made timely.

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# 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  
DECEMBER 13, 2018**