



**Auditor of State
Betty Montgomery**

WASHINGTON TOWNSHIP
JACKSON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Jackson County
1853 Finley Chapel Road
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Washington Township, Jackson County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Washington Township
Jackson County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the management, the Board of Trustees, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 18, 2003

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$17,471	\$6,201	\$	\$23,672
Intergovernmental	21,481	57,700	46,512	125,693
Rental Income	9,000			9,000
Earnings on Investments	634			634
Other Revenue	2,203	2,370		4,573
	<u>50,789</u>	<u>66,271</u>	<u>46,512</u>	<u>163,572</u>
Cash Disbursements:				
Current:				
General Government	47,130			47,130
Public Safety	2,720			2,720
Public Works	1,299	30,069		31,368
Health	3,714	3,372		7,086
Capital Outlay		136	49,877	50,013
	<u>54,863</u>	<u>33,577</u>	<u>49,877</u>	<u>138,317</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(4,074)</u>	<u>32,694</u>	<u>(3,365)</u>	<u>25,255</u>
Other Financing Sources:				
Other Sources		2,150		2,150
	<u>0</u>	<u>2,150</u>	<u>0</u>	<u>2,150</u>
Excess of Cash Receipts and Other Financing Sources Over / (Under) Cash Disbursements	(4,074)	34,844	(3,365)	27,405
Fund Cash Balances, January 1	66,382	93,393	25,211	184,986
Fund Cash Balances, December 31	<u>\$62,308</u>	<u>\$128,237</u>	<u>\$21,846</u>	<u>\$212,391</u>

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$15,644	\$	\$	\$15,644
Intergovernmental	21,188	58,976	46,062	126,226
Rental Income	9,000			9,000
Earnings on Investments	908	1,816		2,724
Other Revenue	3,414	885		4,299
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	50,154	61,677	46,062	157,893
Cash Disbursements:				
Current:				
General Government	46,917			46,917
Public Safety	2,720			2,720
Public Works	1,298	39,884		41,182
Health	5,542	100		5,642
Capital Outlay		41,005	41,141	82,146
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	56,477	80,989	41,141	178,607
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(6,323)	(19,312)	4,921	(20,714)
Other Financing Sources:				
Other Sources		500		500
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	0	500	0	500
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(6,323)	(18,812)	4,921	(20,214)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	72,705	112,205	20,290	205,200
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$66,382	\$93,393	\$25,211	\$184,986

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Washington Township, Jackson County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides cemetery maintenance and road and bridge maintenance. The Township contracts with the Village of Coalton and the City of Wellston Fire Departments to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash and Investments

The Township had one primary checking account during the audit period.

D. Fund Accounting

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

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

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

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Project Fund

This fund was used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Permanent Improvement Fund - This fund received permissive sales tax money for constructing, maintaining, and repairing Township roads and bridges.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Clerk failed to properly certify obligations during 2002 and 2001, contrary to Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$212,391	\$184,986

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, or (2) collateralized by securities specifically pledged by the financial institution to the Township. At December 31, 2001, the amount of \$85,439 and at December 31, 2002, the amount of \$29,729 of deposits was uncollateralized, contrary to Chapter 135, Ohio Revised Code.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,000	\$50,789	\$7,789
Special Revenue	66,203	68,421	2,218
Capital Projects	46,000	46,512	512
Total	\$155,203	\$165,722	\$10,519

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$79,947	\$54,863	\$25,084
Special Revenue	137,000	33,577	103,423
Capital Projects	65,681	49,877	15,804
Total	\$282,628	\$138,317	\$144,311

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,003	\$50,154	\$151
Special Revenue	56,000	62,177	6,177
Capital Projects	40,000	46,062	6,062
Total	\$146,003	\$158,393	\$12,390

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$85,774	\$56,477	\$29,297
Special Revenue	113,600	80,989	32,611
Capital Projects	60,190	41,141	19,049
Total	\$259,564	\$178,607	\$80,957

The Clerk failed to properly certify obligations during 2002 and 2001, contrary to Ohio Revised Code Section 5705.41 (D).

4. PROPERTY TAX

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

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

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.

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. RETIREMENT SYSTEM

The Township's employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Washington Township
Jackson County
1853 Finley Chapel Road
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated July 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated July 18, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect Washington Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated July 18, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 18, 2003

WASHINGTON TOWNSHIP
JACKSON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 135.18 provides that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities.

Ohio Rev. Code Section 135.181, provides in part that upon request of a treasurer no more often than 4 times per year, a *public depository* is required to report: the amount of public monies deposited by the treasurer and secured and the total value based on the valuations described above, of the pool of securities pledged to secure public monies held by the depository, including those deposited by the treasurer.

The Township carried a balance over \$100,000 for the majority of the year. Balances up to \$100,000 were secured by Federal Deposit Insurance Corporation. However, the Clerk did not obtain a report from the depository indicating whether the excess over \$100,000 was collateralized. When Auditor of State requested the report, it was noted that there was not sufficient collateral pledged to cover the Township's balance. The Township's balances were uncollateralized at December 31, 2001 by \$85,439 and at December 31, 2002 by \$29,729.

We recommend the Township Clerk periodically request a report from the bank to ensure that these balances will be adequately secured with allowable securities. Upon request of a treasurer no more often than 4 times per year, a *qualified trustee* reports the total value of the pool of securities deposited with it by the depository and provides an itemized list of the securities in the pool. These reports are made as of the date the treasurer specifies.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code Section 5705.41 (D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, 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 taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

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

FINDING NUMBER 2002-002 (Continued)

Noncompliance Citation (Continued)

Ohio Revised Code Section 5705.41 (D) (Continued)

Amounts of less than \$100 for counties, or less than \$1,000 (which was increased to \$3,000 on April 7, 2003), for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

The Township currently utilizes Then and Now Certificates for all purchases. These forms are signed by at least two Trustees; however, they are not formally approved by resolution or ordinance during regular monthly meetings. The Township is also filling out forms for large purchases they consider to be purchase orders. However, there is no language on the forms that states the Clerk is certifying the availability of funds to make the purchase. In addition to this, these forms are not always signed by the Clerk. Thus, the Township is not obtaining prior certification before incurring obligations and they are improperly utilizing then and now certificates.

We recommend that prior certification of obligations be a part of the routine purchasing procedure established by the Township. Then and Now certificates should be used as an exception not the rule. When Then and Now certificates are utilized, each purchase transaction must be approved individually by a resolution and a then and now certificate.

FINDING NUMBER 2002-003

Reportable Condition

In certain instances, receipts and disbursements were posted to the incorrect funds and/or accounts concerning intergovernmental receipts, interest, property taxes and cash disbursements. As a result, numerous adjustments and reclassifications were necessary to properly report receipts and expenditures on the annual financial reports for 2001 and 2002. These reclassifications have been agreed to by management of the Township and are reflected in the financial statements.

We recommend the Clerk utilize the Township chart of accounts as prescribed in the UAN Accounting Manual, Appendix A, revised March 2003 to assist in posting receipt and expenditure transactions to the proper accounts. This chart of accounts will help in the proper posting of manual records.

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40740-001	Finding for recovery for overpayment of Trustee's salary	No	Partially – The majority was paid back. The Trustee still owes \$100.
2000-40740-002	Finding for recovery for overpayment of Trustee's salary	No	Partially – This Clerk has only paid back \$50.
2000-40740-003	Finding for recovery for overpayment of Clerk's salary	Yes	Amount owed was paid back in full.
2000-40740-004	Finding for recovery for overpayment of Trustee's salary	Yes	Amount owed was paid back in full.
2000-40740-005	Noncompliance of ORC 135.18 – pooled or pledged collateral	No	Not corrected ; Noncompliance repeated as Finding Number 2002-001.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WASHINGTON TOWNSHIP

JACKSON 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
AUGUST 19, 2003**