



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP
MORROW COUNTY

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Mary Taylor, CPA
Auditor of State

Washington Township
Morrow County
3900 Co. Rd. 29
Mount Gilead, Ohio 43338

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Township to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

May 11, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Morrow County
3900 Co. Rd. 29
Mount Gilead, Ohio 43338

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2007 and 2006. 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.

Except as discussed in the following paragraph, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient competent evidence to support the completeness of certain Cemetery related fees. These receipts are reported in the General Fund as Licenses, Permits and Fees and we were unable to perform other audit procedures that would allow us to establish completeness and accuracy of these receipts. The receipts represent 17% and 9% of total General Fund receipts for 2007 and 2006, respectively.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2007 and December 31, 2006, or its changes in financial position for the years then ended.

Also, in our opinion, except for adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts recorded as Licenses, Permits and Fees in the General Fund, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Washington Township, Morrow County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

May 11, 2009

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$ 28,180	\$ 88,982	\$ 117,162
Licenses, Permits, and Fees	9,334	-	9,334
Intergovernmental	16,731	98,638	115,369
Special Assessments	-	3,978	3,978
Earnings on Investments	1,372	773	2,145
Miscellaneous	270	6,325	6,595
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	55,887	198,696	254,583
Cash Disbursements:			
Current:			
General Government	70,657	14,860	85,517
Public Safety	-	43,143	43,143
Public Works	7,734	71,740	79,474
Health	366	14,386	14,752
Capital Outlay	-	6,000	6,000
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	78,757	150,129	228,886
Total Receipts Over/(Under) Disbursements	(22,870)	48,567	25,697
Fund Cash Balance, January 1	18,338	109,645	127,983
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Fund Cash Balance, December 31	\$ (4,532)	\$ 158,212	\$ 153,680

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

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum Only)
Cash Receipts:				
Property and Other Local Taxes	\$ 24,661	\$ 82,366	\$ -	\$ 107,027
Licenses, Permits, and Fees	10,178	-	-	10,178
Intergovernmental	73,089	104,105	145,916	323,110
Special Assessments	-	3,950	-	3,950
Earnings on Investments	348	247	-	595
Miscellaneous	843	5,125	-	5,968
Total Cash Receipts	109,119	195,793	145,916	450,828
Cash Disbursements:				
Current:				
General Government	68,715	2,587	-	71,302
Public Safety	-	40,605	-	40,605
Public Works	7,273	87,217	-	94,490
Health	169	23,316	-	23,485
Other	-	112	-	112
Capital Outlay	-	-	145,916	145,916
Total Cash Disbursements	76,157	153,837	145,916	375,910
Total Receipts Over Disbursements	32,962	41,956	-	74,918
Fund Cash Balance, January 1	(14,624)	67,689	-	53,065
Fund Cash Balance, December 31	\$ 18,338	\$ 109,645	\$ -	\$ 127,983

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

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Washington Township, Morrow County, Ohio, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Iberia Volunteer Fire Department to provide fire protection and emergency medical services. Police protection is provided by the Morrow County Sheriff's Department.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township maintains demand deposit accounts.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

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

Fire Special Levy Fund – This fund receives property tax money to provide contracted fire protection services to Township residents.

3. Capital Project Fund

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio for work on Township roads.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not always certify expenditures prior to purchase.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (continued)

F. Property, Plant, and Equipment

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

2. Equity in Deposits

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

	2007	2006
Demand deposits	\$153,680	\$127,983

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,049	\$55,887	(\$19,162)
Special Revenue	192,100	198,696	6,596
Total	\$267,149	\$254,583	(\$12,566)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,068	\$78,757	\$9,311
Special Revenue	198,035	150,129	47,906
Total	\$286,103	\$228,886	\$57,217

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$109,119	\$109,119
Special Revenue	0	195,793	195,793
Capital Projects	145,916	145,916	0
Total	\$145,916	\$450,828	\$304,912

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. Budgetary Activity (continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$83,573	\$76,157	\$7,416
Special Revenue	185,954	153,837	32,117
Capital Projects	145,916	145,916	0
Total	\$415,443	\$375,910	\$39,533

Contrary to Ohio law, budgetary expenditures exceeded the appropriation authority in the Gasoline Fund by \$4,245 and the Cemetery fund by \$23 for the year ended December 31, 2007. In 2006, all appropriations exceeded estimated resources due to no estimated resources submitted.

4. Property Tax

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

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

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

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

5. Retirement System

The Township 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 post-retirement 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. PERS members contributed 9.5% and 9% for 2007 and 2006, respectively, of their gross salaries. The Township contributed amount equal to 13.85% and 13.7%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2007.

6. Risk Management

The Township has obtained commercial insurance for the following risks:

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



Mary Taylor, CPA

Auditor of State

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

Washington Township
Morrow County
3900 Co. Rd. 29
Mount Gilead, Ohio 43338

To the Township Board of Trustees:

We have audited the financial statements of Washington Township, Morrow County, Ohio, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, and have issued our report thereon dated May 11, 2009, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and we qualified our report on the General Fund since we were unable to obtain sufficient evidence over the completeness of certain Cemetery fees, shown as License, Permits, and Fees. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code §117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001, 2007-003, 2007-004, 2007-007, and 2007-009 through 2007-011.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe findings number 2007-009 and 2007-011 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated May 11, 2009.

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, providing an opinion 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001, 2007-002 and 2007-005 through 2007-012.

We also noted a certain noncompliance or other matter that we reported to the Township's management in a separate letter dated May 11, 2009.

The Township's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and Township Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

May 11, 2009

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Deposits of Public Money – Noncompliance / Significant Deficiency

Ohio Rev. Code Section 9.38 states that a person who is a public official shall deposit all public moneys received by that person with the Township Fiscal Officer or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The following issues were noted:

- Checks from the county auditor were sometimes not deposited or posted to the receipt ledger until two weeks after being received.
- An un-deposited check was found during the audit that was dated December 26, 2006 from a local funeral home for opening and closing fees. The Fiscal Officer did not provide a reason why the check was not deposited. The Fiscal Officer was asked to deposit the funds and a deposit ticket dated September 16, 2008 was provided to us.
- The Fiscal Officer could not provide documentation that Cemetery Fees from funeral homes were always recorded or deposited in Township's depository account. (See Finding Number 2007-011)

Timely deposits reduce the risk of receipts being lost, misappropriated or improperly posted and going undetected by management.

We recommend that the Fiscal Officer deposit all receipts with the financial institution on a timely basis. Receipt numbers representing a specific deposit should also be documented with the bank deposit. The Township Trustees should develop deposit policies that help ensure all individuals associated with receipt collection follow and the policies be monitored on a periodic basis.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 – 002

Authorizing tax levies - Noncompliance

Ohio Rev. Code Section 5705.34 requires a Township to pass the annual resolution to authorize the necessary tax levies and certify the levies to the county auditor before October 1 of each year.

The Township did not provide evidence that a resolution was passed to authorize the tax levies and certify them to the county auditor for both 2007 and 2006.

We recommend that the Township pass the annual resolution to authorize the necessary tax levies and certify the levies to the county auditor.

Official Response:

We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007 – 003

Outstanding Checks – Significant Deficiency

An outstanding check list is maintained to account for any checks that have not cleared the bank at the end of the month when a cash reconciliation is completed. A reconciliation is a monitoring control that ensures accountability for all expenditures and payments.

At December 31, 2007, the Township's outstanding check included checks dating back to 2002 which totaled \$5,038. The Township also has multiple checks on the list from 2006 and 2007 from vendors that receive a check usually once a month.

There is currently no policy or procedures over outstanding checks.

We recommend the Township adopt an outstanding check policy to include procedures for following up on outstanding checks and a time period after which these checks are to be removed from the outstanding check list and a corresponding entry made to the accounting records. Additionally, the Township Trustees should review the monthly cash reconciliation for unusual reconciling items and question old checks that have not cleared or other items that appear in the reconciliation. Follow-up by the trustees should be documented and be completed in a timely manner.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 - 004

Monitoring controls - Significant Deficiency

Implementing internal controls is an important responsibility of management. In addition, the Board must periodically monitor control procedures to verify they are functioning effectively. To serve as informed overseers of the financial reporting process, the Board of Trustees, at minimum, should periodically convene to perform the following functions:

- Review monthly financial reports, including cash reconciliations
- Review the financial statements
- Approve financial statements
- Assure that audit results are addressed
- Ensure that all transactions are properly authorized in accordance with management's policies
- Performing analytical procedures over financial data as a part of the overall monitoring process by the Board

**WASHINGTON TOWNSHIP
MORROW COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007-004 (continued)

Monitoring controls - Significant Deficiency (continued)

The following internal control weaknesses were noted over operations:

- Financial information was not approved at the monthly meetings for 35% of the meetings reviewed.
- Cemetery fees were collected for opening and closing of graves that were not posted to the receipt ledger or deposited in the Township's bank account. There was no indication that someone independent of the Fiscal Officer periodically reviewed this activity. (See Finding # 2007-011).
- Numerous audit report comments from 2004/2005 remained uncorrected for 2006/2007. It appears no discussion took place to correct the items at the Township meetings. Additionally, material audit adjustments went uncorrected from the previous audit, which was conducted by an Independent Public Accounting firm. Audit adjustments from 2004/2005 audit were made as a part of the current audit. These adjustments were made to the Township's records and reflected in the Township's financial statements. Below is a summary of those adjustments:

General Fund	(\$21,242)
Gasoline Tax Fund	5,600
Road and Bridge Fund	(21,214)
Road Levy Fund	22,284
Motor Vehicle License Tax Fund	229
Cemetery Special Fund	3,141
Fire Levy Fund	6,843

By not reviewing monthly reports and not being involved in the operations of the Township, errors and irregularities could occur and not be detected in a timely manner by management.

It is vital that the Board provides an oversight function in an entity that lacks segregation of duties as all accounting functions of the Township are controlled by one individual, the Fiscal Officer. We recommend the Board monitor Township financial activity and document their review in the record of proceedings. Additionally, the Board should develop policies and procedures involving segregation of duties over opening and closing fees and issuance of cemetery deeds. Audit comments should be discussed at Board meetings and follow-up to comments should be documented in the minutes.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 - 005

Appropriations Exceeding Estimated Resources - Noncompliance

Ohio Revised Code Section 5705.39 provides in part that the total appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the budget commission. As of December 31, 2007, the Township had appropriations exceeding estimated resources available for expenditure in the following funds:

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007 – 005 (continued)

Appropriations Exceeding Estimated Resources – Noncompliance (continued)

Fund	Estimated Resources	Budgetary Appropriations	Variance
Gasoline Tax Fund	\$80,506	\$84,751	(\$4,245)
Cemetery	11,977	12,000	(\$23)

We recommend the Fiscal Officer review the Amended Certificates of Estimated Resources and Supplemental Appropriations Measures to ensure that total appropriations from each fund do not exceed the total certified resources available for expenditures.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 – 006

Finding For Recovery – Health Savings Account

Ohio Const. Art. II, Section 20 generally prohibits public officials from receiving increases or decreases in compensation in the middle of a term of office. It is well settled that insurance benefits are compensation for the purposes of Article II, Section 20 of the Ohio Constitution.

The Township Trustees passed a resolution approving the use of a Health Savings Account on January 24, 2006. This resulted in an in-term pay increase of \$4,000 in each year, 2006 and 2007, for Dwain Peak, Trustee and an in-term pay increase of \$4,000 in each year, 2006 and 2007, for Jean Beck, Fiscal Officer. The remaining Trustees were at the beginning of their term of office therefore, the resolution to establish the accounts did not result in an in-term increase in pay.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Fiscal Officer Jean Beck and her bonding company, Rinehart, Walters, Danner and Associates, jointly and severally, for \$8,000, in favor of Washington Township's General Fund, and against Trustee Dwain Peak and his bonding company, Rinehart, Walters, Danner and Associates, jointly and severally, for \$8,000, in favor of Washington Township's General Fund.

These Township benefit payments were signed by the Trustees and the Fiscal Officer.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007 – 006 (continued)

Finding For Recovery – Health Savings Account (continued)

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Additionally, Trustee William Creswell, Trustee Charles Walker, Trustee Dwain Peak, Fiscal Officer Jean Beck, and their bonding company, Rinehart, Walters, Danner and Associates, will be jointly and severally liable for such illegal expenditures, other than expenditures for which they are individually named, in favor of Washington Township’s General Fund, to the extent that recovery is not obtained from Jean Beck and Dwain Peak.

Officials’ Response (Charles S. Howland, Morrow County Prosecuting Attorney):

I have been made aware that the Washington Township Trustees changed the form of health insurance during the terms of some of the elected officials. This change was in error. However, these changes actually resulted in a reduction in health insurance costs. Therefore, I will not seek re-payment of these expenses. I will work with the Board to bring health insurance issues into legal compliance.

FINDING NUMBER 2007-007

Revenue Posting Error – Noncompliance/Significant Deficiency

Ohio Rev. Code Section 5705.10 (C) states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made. Additionally, section (D) states that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose. The following posting errors were noted:

Posting Error:	2006	2007
Taxes posted to the Road and Bridge Fund instead of Road Improvement Fund.	\$7,255	\$1,351
Commercial Activities Tax (CAT) monies posted to General Fund instead of Road and Bridge		\$208
CAT monies posted to General Fund instead of Motor Vehicle License Tax		\$546
CAT monies posted to General Fund instead of Cemetery Fund		\$418
CAT monies posted to General Fund instead of Road Improvement Levy Fund		\$417
CAT monies posted to General Fund instead of Fire Levy Fund		\$834
Intergovernmental receipts posted to the Motor Vehicle License Tax instead of the General Fund		\$740

WASHINGTON TOWNSHIP
MORROW COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)

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

FINDING NUMBER 2007-007 (continued)

Revenue Posting Error – Noncompliance/Significant Deficiency (continued)

The Fiscal Officer should be diligent in assuring funds are properly posted to the correct fund in accordance with the Township's Uniform Accounting Network (UAN) coding system and the Ohio Revised Code.

The Township Fiscal Officer made the adjustments to the Township's records and the adjustments are reflected in the accompanying financial statements.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 - 008

Certification of Expenditures - Noncompliance

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" Certificate—If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Fiscal Officer can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate—Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007-008 (continued)

Certification of Expenditures – Noncompliance (continued)

3. Super Blanket Certificate—The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not certify expenditures prior to the purchase for three out of 26 which is 12% and five out of 26 which is 19% in 2007 and 2006, respectively. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

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

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 - 009

Trustee Compensation Documentation – Noncompliance/Significant Deficiency/Material Weakness

Ohio Rev. Code Section 505.24(C) permits trustee's to receive annual salaries instead of per diem payments. When paid by salary, ORC 505.24 (C) does not prescribe a "documentation of time spent" requirement. However, for salaries not paid from the general fund, 2004 Op. Att'y Gen. No. 2004-036 requires trustees to establish administrative procedures to document the proportionate amount chargeable to restricted Township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the Trustee documents time spent on Township business and the type of service performed, in a manner similar to Trustees paid per diem compensation. If Trustees do not document their time, then no part of salaries may be paid from these restricted funds. The Township was informed of this requirement in the 2005/2004 management letter.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007 – 009 (continued)

Trustee Compensation Documentation – Noncompliance/Significant Deficiency/Material Weakness (Continued)

For 2007 and 2006, the Township Trustees were paid \$15,505 and \$14,769 from the Gasoline Tax fund, respectfully. However, no resolution was adopted and no documentation was maintained to support the salary allocation to these funds. The Township's accounting records and financial statements were adjusted to reallocate these salaries to the General fund.

Resolutions to pay Trustees by salary should specify that the Township will allocate salaries based on documentation the Trustees submit, not based on percentages a resolution specifies. In addition, the Trustees should submit to the Fiscal Officer, at least on an annual basis, documentation indicating the hours and type of service performed to support their salary allocation.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007 - 010

Maintaining Supporting Documentation for Disbursements – Noncompliance/Significant Deficiency

Maintaining organized documentation and support for financial transactions is essential in assuring the Township's financial statements are accurately presented and that all expenditures are made for a proper public purpose. Additionally, **Ohio Rev. Code Section 149.351** requires that all records that are the property of the public office shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Ohio Rev. Code Sections 149.38 through 149.42.

We noted the following issues in regard to the organization of financial records as well as the underlying documentation and support of certain financial transactions:

1. In fiscal year 2007, there were payments that did not have supporting documentation for electric service and labor work in the cemetery.
2. In fiscal year 2006, there were payments that did not have supporting documentation for water service for the Township Hall and repairs on the Township Truck.
3. Generally, the records were maintained in a haphazard manner which increased audit costs and time needed to complete the audit.

Failure to maintain organized underlying documentation and support of financial transactions can increase the risk of fraud, inaccurate financial statements, and expenditures that are not for a proper public purpose.

We recommended the Township maintain all invoices, purchase orders, and check stubs attached to each other for all financial transactions occurring within the Township and that records be maintained in an orderly manner to support all transactions.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (continued)
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FINDING NUMBER 2007 – 010 (continued)

Maintaining Supporting Documentation for Disbursements – Noncompliance/Significant Deficiency (continued)

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-011

Finding for Recovery /Significant Deficiency/ Material Weakness – Cemetery fees

During the period January 1, 2006 through December 31, 2007, Jean Beck served as the Fiscal Officer for Washington Township, Morrow County (the Township). Ms. Beck's duties included depositing monies received, paying bills, and maintaining the minutes. Ms. Beck was also responsible for collecting cemetery deed fees, opening and closing fees, and posting those receipts to the Township ledgers.

When a burial takes place in the Iberia Cemetery, an opening and closing fee is assessed. The funeral home generally submits the fee, in check form, to the Township. Upon receipt of the check from the funeral home, Ms. Beck prepares a deposit ticket, posts the amount to the Township's receipt ledger, and deposits amounts in the Township's bank account.

In comparing amounts submitted to the Township from various funeral homes during the period January 1, 2006 through December 31, 2007, to receipts posted to the ledgers and deposits made to the bank, we determined 11 checks totaling \$2,305.12 were received but not deposited. The checks were endorsed with Ms. Beck's signature. Of those 11 checks, one check, for \$250.00, was deposited to Ms. Beck's personal bank account.

In 2004, there was an outstanding receipt of \$700 dated August 10, 2004, when the Fiscal Officer provided information on the money she stated that she had found seven \$100 bills that she deposited in the bank account. During the current audit the \$700 was reviewed and noted that the \$700 deposit was made up of 3 checks from the following: Ms. Beck for \$82.06; Morrow County Auditor's office for \$492.94; and the last check from Finley Thompson Monument Sales for \$125. It was noted that the receipts were not posted to the receipt ledger.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Seward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex.rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att'y Gen. No. 80-074.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money collected but unaccounted for is hereby issued against Fiscal Officer Jean Beck and her bonding company, Rinehart, Walters, Danner and Associates, jointly and severally, for \$2,923.06, which is made up of 11 checks of \$2,305.12 and 2 checks for \$617.94, in favor of Washington Township.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-011 (continued)

Finding for Recovery /Significant Deficiency/ Material Weakness – Cemetery fees (continued)

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-012

Certification of available revenue - Noncompliance

Ohio Rev. Code 5705.36(A) states in part, that on or about the first day of each year the Fiscal Officer shall certify to the County Auditor the total amount from all sources available for expenditures from each fund set up in the tax budget. The amount certified shall include any unencumbered balances that existed at the end of the preceding year.

There was no evidence presented to indicate that the Fiscal Officer certified the estimated receipts to the County Auditor. Therefore, the Township has appropriations exceeding estimated receipts due to there being no receipts filed for the fiscal year 2006.

Fund	Estimated Resources	Budgetary Appropriations	Variance
General	\$0	\$68,804	(\$68,804)
MVGT	0	9,500	(9,500)
Gas Tax	0	79,618	(79,618)
Road & Bridge	0	15,500	(15,500)
Cemetery	0	10,000	(10,000)
Fire	0	41,500	(41,500)
Road Improvement	0	10,400	(10,400)
Cemetery	0	28,005	(28,005)
Special Assessment	0	6,200	(6,200)

We recommend that the Township Fiscal Officer certify the total amount from all sources available for expenditures with the County Auditor.

Officials' Response:

We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
MORROW COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 5705.34 – a resolution authorizing the necessary tax levies be passed and certify the levies to the county auditor before October 1 st .	No	Re-issued as Finding number 2007-002
2005-002	ORC 5705.36 - on or about the first day of each fiscal year, the township should to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget.	No	Re-issued as Finding number 2007-012
2005-003	ORC 5705.39/ 5705.41(A) - total appropriations from each fund shall not exceed the total estimated revenue.	No	Re-issued as Finding number 2007-005.
2005-004	ORC 5705.10 -revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.	No	Re-issued as Finding number 2007-007
2005-005	ORC 5705.14, 5705.15 and 5705.16 - transfers of funds.	Yes	
2005-006	26 U.S.C. Chapters 3401 through 3406, 26 C.F.R., and ORC 5747.06 – 941 W-2 forms not filed	Yes	
2005-007	Lack of oversight and monitoring by Trustees.	No	Re-issued as Finding number 2007-004



Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

MORROW 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
SEPTEMBER 17, 2009