



Dave Yost • Auditor of State



WASHINGTON TOWNSHIP  
HARRISON COUNTY

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# Dave Yost • Auditor of State

Washington Township  
Harrison County  
28585 Norris Road  
Tippecanoe, Ohio 44699

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 government 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.

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

September 10, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Washington Township  
Harrison County  
28585 Norris Road  
Tippecanoe, Ohio 44699

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Harrison County, Ohio (the Township) as of and for the years ended December 31, 2011 and 2010. 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 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(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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, 2011 and 2010 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, 2011 and 2010, or its changes in financial position for the years then ended.

In addition, Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion 2004-056 require trustees to document the proportionate amount 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, related taxes and retirement (OPERS) to the Gasoline Tax and Motor Vehicle License Tax Funds without the required supportive documentation. In addition, findings for adjustments made in the prior audit period for noncompliance with Ohio Revised Code Section 505.24(C) were not recorded in the financial statements or to the accounting system. The adjustment required to record these salaries and related taxes and OPERS in the General Fund, the Gasoline Tax Fund and the Motor Vehicle License Fund for the current audit period follows:

	<b>General Fund</b>	<b>Gas Tax Fund</b>	<b>Motor Vehicle License Fund</b>
January 1, 2008 fund balance over (under)statement	\$ 42,432	\$ (35,420)	\$ (7,012)
2008 disbursements over (under)statement	10,998	(10,998)	
December 31, 2008 fund balance over (under)statement	53,430	(46,418)	(7,012)
2009 disbursements over (under)statement	16,864	(16,864)	
December 31, 2009 fund balance over (under)statement	70,294	(63,282)	(7,012)

Also, in our opinion, because of the effects of the matter referred to in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of Washington Township, Harrison County, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Washington Township, Harrison County, Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2012, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 10, 2012

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**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$9,638	\$19,517	\$29,155
Intergovernmental	15,761	94,324	110,085
Earnings on Investments	5	12	17
Miscellaneous	4,476		4,476
<i>Total Cash Receipts</i>	<u>29,880</u>	<u>113,853</u>	<u>143,733</u>
<b>Cash Disbursements</b>			
Current:			
General Government	26,554		26,554
Public Safety	120	13,734	13,854
Public Works	1,445	125,655	127,100
Health	4,280		4,280
Debt Service:			
Principal Retirement		6,250	6,250
Interest and Fiscal Charges		364	364
<i>Total Cash Disbursements</i>	<u>32,399</u>	<u>146,003</u>	<u>178,402</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(2,519)</u>	<u>(32,150)</u>	<u>(34,669)</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	2,846		2,846
Other Financing Sources	367	12	379
<i>Total Other Financing Receipts</i>	<u>3,213</u>	<u>12</u>	<u>3,225</u>
<i>Net Change in Fund Cash Balances</i>	694	(32,138)	(31,444)
<i>Fund Cash Balances, January 1</i>	<u>8,401</u>	<u>57,138</u>	<u>65,539</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	25,000	25,000
Unassigned	9,095	0	9,095
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,095</u></u>	<u><u>\$25,000</u></u>	<u><u>\$34,095</u></u>

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

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$10,416	\$20,161	\$30,577
Intergovernmental	11,925	114,318	126,243
Earnings on Investments	12	14	26
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	22,353	134,493	156,846
<b>Cash Disbursements:</b>			
Current:			
General Government	35,128		35,128
Public Safety		15,357	15,357
Public Works	2,145	101,231	103,376
Health	8,392		8,392
Capital Outlay		425	425
Debt Service:			
Redemption of Principal		6,250	6,250
Interest and Other Fiscal Charges		768	768
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	45,665	124,031	169,696
Total Receipts Over/(Under) Disbursements	<hr/> (23,312)	<hr/> 10,462	<hr/> (12,850)
<b>Other Financing Receipts</b>			
Other Financing Sources	699	476	1,175
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	699	476	1,175
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(22,613)	10,938	(11,675)
Fund Cash Balances, January 1	31,014	46,200	77,214
	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b><u>\$8,401</u></b>	<b><u>\$57,138</u></b>	<b><u>\$65,539</u></b>
Reserve for Encumbrances, December 31	<u>\$239</u>	<u>\$491</u>	<u>\$730</u>

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

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**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, Harrison County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government road and bridge maintenance. The Township contracts with the Washington Township Volunteer Fire Department to provide fire and ambulance services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis 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 maintains all cash in a checking account, which are considered a demand deposit.

**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 Fund**

This fund accounts 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 Fund:

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

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements 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 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into two classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**2. 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 (unassigned) amounts are available.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

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

**G. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits and Investments**

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

	2011	2010
Demand deposits	\$34,095	\$65,539

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$19,000	\$33,093	\$14,093
Special Revenue	91,115	113,865	22,750
Total	\$110,115	\$146,958	\$36,843

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$30,449	\$32,638	(\$2,189)
Special Revenue	158,135	146,494	11,641
Total	\$188,584	\$179,132	\$9,452

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,500	\$23,052	\$4,552
Special Revenue	91,389	134,969	43,580
Total	\$109,889	\$158,021	\$48,132

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. Budgetary Activity (Continued)**

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$49,103	\$45,904	\$3,199
Special Revenue	134,837	124,522	10,315
Total	\$183,940	\$170,426	\$13,514

Contrary to Ohio Revised Code Section 5705.39 in 2011, appropriations exceeded estimated resources in the General and Gas Tax Funds by 3,430 and 9,500, respectively. Also, contrary to Ohio Revised Code Section 5705.41(D) the Township did not certify the amount against the applicable appropriation accounts for certain expenditures.

**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. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
General Obligation Notes	\$6,250	5.75%

The Township issued general obligation bonds to finance the purchase of a new grader for Township road maintenance. The Township's taxing authority collateralized the bonds.

At December 31, 2011, the Township had no outstanding debt as this debt was paid in full.



**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2011.

**7. Risk Management**

The Township has obtained commercial insurance for the following risks:

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

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# Dave Yost • 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  
Harrison County  
28585 Norris Road  
Tippecanoe, Ohio 44699

To the Board of Trustees:

We have audited the financial statements of Washington Township, Harrison County, Ohio (the Township) as of and for the year ended December 31, 2011 and 2010, and have issued our report thereon dated September 10, 2012, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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(A) mandates the Auditor of State to audit Ohio governments. Secondly, the Township Ohio adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Lastly, contrary to Ohio Revised Code Section 505.24(C) and Ohio Attorney General Opinion 2004-056, the township did not document the proportionate amount 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, related taxes and retirement (OPERS) to the Gasoline Tax and Motor Vehicle License Tax Funds without the required supportive documentation. In addition, findings for adjustments made in the prior audit period for noncompliance with Ohio Revised Code Section 505.24(C) were not recorded in the financial statements or to the accounting system. Except as discussed in the preceding sentence, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. 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 other deficiencies we consider to be significant deficiencies.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-003, 2011-006 and 2011-007 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2011-008 and 2011-009 described in the accompanying Schedule of Findings to be significant deficiencies.

#### **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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-005.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 10, 2012.

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

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



**Dave Yost**  
Auditor of State

September 10, 2012

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**1. 26 U.S.C. 3402, 26 U.S.C. Section 3403 and Ohio Rev. Code Section 5747.06(A)**

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE

**26 U.S.C Section 3402 (a)(1)** states that except as otherwise provided in this section, every employer making payments of wages shall deduct and withhold such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Furthermore, **26 U.S.C Section 3403** states that a employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment. Also, **Ohio Rev. Code Section 5747.06(A)** states, in part, that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

During 2011, the Township withheld \$2,757, \$909, and \$589 in federal income, Medicare, and state income tax, respectively. Also, during 2010, the Township withheld \$1,243, \$823, and \$510 in federal income, Medicare, and state income tax, respectively. During the audit period, payments were made to the U.S. Treasury for federal income tax as follows:

- First Quarter 2010 totaling \$821.72 was paid on June 17, 2010;
- Second Quarter 2010 totaling \$736.90 was paid on June 17, 2010 and May 2, 2011;
- Third Quarter 2010 totaling \$687.29 was paid on May 2, 2011;
- Fourth Quarter 2010 totaling \$642.92 was paid on May 2, 2011;
- First Quarter 2011 totaling \$1047.13 was paid on May 2, 2011;
- Second Quarter 2011 totaling \$1,197.47 was paid on December 22, 2011;
- Third Quarter 2011 totaling \$1,250.13 was paid on December 22, 2011;
- Fourth Quarter 2011 totaling \$1,080.78 was paid on April 27, 2012.

Warrant number 5685 had supporting documentation attached stating that the payment was for delinquent tax amounts for tax period June 30, 2009 in the amount of \$61.

The interest and penalty amounts were obtained from their respective invoices. By not remitting federal income tax withholdings on time, the Township paid an additional \$61 to the U.S. Treasury. This penalty could have been avoided if the Township paid their federal withholdings on time.

Additionally, remittance to the Ohio Department of Taxation for 2010 withholding was not paid and continue to be outstanding in the amount of \$349 which includes \$25 in penalties for underpayments.

<b><i>Finding Number</i></b>	<b>2011-001 – (Continued)</b>
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The Township should remit withholdings to the appropriate federal and state agencies in a timely manner. Additionally, the Township should review payroll records and remit any unpaid withholdings due. This will help ensure the Township complies with various federal and state laws and reduce the likelihood of interest and penalties.

**Official’s Response:** This has been corrected.

**2. Ohio Rev. Code Section 5705.41(D)**

<b><i>Finding Number</i></b>	<b>2011-002</b>
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NONCOMPLIANCE

**Ohio Rev. Code Section 5705.41(D)** requires no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s Fiscal Officer. Every 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 both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township Trustees can authorize the drawing of a warrant for the payment of the amount due. The Township Trustees have thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$100 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided 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.

<b><i>Finding Number</i></b>	<b>2011-002 – (Continued)</b>
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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.

Expenditures were not properly certified by the Fiscal Officer prior to the purchase commitment being made for 16 of the 54 (30%) expenditures tested. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and a negative cash fund balance. In addition, Township Trustees did not establish a maximum dollar amount for blanket certificates. Additionally, there were three instances in which the Township had more than one blanket certificate outstanding against a specific line item account at one particular time.

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 disbursement and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend 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.

The Fiscal Officer should 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 also 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. The Township Trustees should also establish a maximum dollar amount for which blanket certificates may be issued. Additionally, the Fiscal Officer should periodically review the outstanding purchase orders for line-items which have multiple blanket certificates outstanding to ensure only one blanket certificate is outstanding per line-item at any particular time.

**Official's Response:** This is in the process of being corrected.

**3. Ohio Rev Code Section 505.24(C) and 2004 Op. Att'y Gen. No. 2004-036**

<i>Finding Number</i>	2011-003
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FINDING FOR ADJUSTMENT/NONCOMPLIANCE/MATERIAL WEAKNESS

**Ohio Rev. Code Section 505.24 (C)** sets forth the method by which Township trustees' compensation should be allocated. This section states, in part, that the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually be a trustee if the trustee were paid on a salary basis as specified in this division, and shall be paid only from the Township general fund or from funds in proportions as the Board may specify by resolution. The resolution must be unanimously passed by the Board of Trustees and must specify the proportions of the salary that are to be paid from each fund.

In addition, **Ohio Rev. Code Section 505.24(C)**, as supported by **2004 Op. Att'y Gen. No. 2004-036**, requires the trustees to establish administrative procedures to document the proportionate amount chargeable to other Township funds based on the kinds of services rendered when trustee salaries are not paid from the general fund. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all 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 other funds.

Although the Trustees maintained documentation of time spent during 2011 and 2010, the Township did not adopt a resolution stating the method used for the allocation.

Additionally, prior to 2010, the Township charged Trustees' salaries to funds other than the general fund and did not maintain documentation to justify this allocation of salaries. The unsupported salaries charged to the Gasoline Tax and Motor Vehicle License Funds are \$63,282 and \$7,012, respectively. These amounts are against the General Fund and have not been adjusted to the Township's financial statements or accounting records.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the General Fund for \$70,294 in favor of the Gasoline Tax and Motor Vehicle License Funds for \$63,282 and \$7,012, respectively.

**Official's Response:** This has been corrected in 2012.



**4. Ohio Rev. Code Chapter 133**

<i>Finding Number</i>	2011-004
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NONCOMPLIANCE

**Ohio Rev. Code Chapter 133** allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 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 distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

In 2007, the Board of Trustees and Fiscal Officer signed a series of promissory notes totaling \$25,112 with the First National Bank of Dennison for a grader. Because this debt is a promissory note between a banking institution and the Township, the note does not meet the requirements set forth in Ohio Rev. Code Chapter 133. The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans and promissory notes with banking institutions are not legal methods of debt for Townships.

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

**Official's Response:** This has been paid off.

**5. Ohio Rev. Code Section 5705.39**

<i>Finding Number</i>	2011-005
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NONCOMPLIANCE

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

<b><i>Finding Number</i></b>	<b>2011-005 – (Continued)</b>
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During 2011, appropriations exceeded estimated resources in the following funds:

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$27,019	\$30,449	(\$3,430)
Gasoline Fund	103,254	112,754	(9,500)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. Actual receipts plus cash fund balances were not sufficient to permit the Township to obtain an amended certificate of estimated resources supporting the amounts of the abovementioned appropriations.

Additionally, the Township failed to submit the 2010 and 2011 appropriations to the County. This prevented the County from certifying that total appropriations from each fund do not exceed the total estimated resources.

The Fiscal Officer and the Board of Trustees should review certified resources prior to adopting appropriations. If certified amounts are not sufficient to support desired appropriations, an increased amended certificate should be obtained, or appropriations should be limited to amounts available. The Fiscal Officer should also submit all adopted appropriation measures to the County Auditor in order for the County Auditor to certify that total appropriations do not exceed total estimated resources.

**Official's Response:** This will be corrected.

**6. Bank Reconciliations**

<b><i>Finding Number</i></b>	<b>2011-006</b>
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MATERIAL WEAKNESS

Upon testing the 2011 and 2010 monthly bank reconciliations, the following weaknesses were identified:

- The May 2010, November 2010 and March 2011 monthly bank reconciliations were not completed by the Fiscal Officer. The reconciling items for those months were included in the preceding months bank reconciliation.
- During 2011 and 2010, 1 out of 12 and 4 out of 12 monthly bank reconciliations, respectively, were completed a month late.
- The December 2011 monthly bank reconciliation disclosed a reconciling item totaling \$2,456. This amount is comprised of two components: \$489 of bank deposits not recorded in the computer system and \$1,967 of various state and federal payroll withholdings not remitted until May 2, 2011.

<i>Finding Number</i>	<b>2011-006 – (Continued)</b>
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- The December 2010 monthly bank reconciliation disclosed a reconciling item totaling \$2,775. This amount is comprised of four components: (\$52) unknown error, October bank deposits were understated on the computer system totaling \$1,672, December bank deposits were understated on the computer system totaling \$1,024 and check #6089 was double posted totaling \$131.

Since the reconciliations are not completed timely and contain several reconciling items as a result of deposit and posting errors, the likelihood of errors or irregularities existing and not being detected timely is increased.

Additionally, the December 31, 2011 and December 31, 2010 bank reconciliations included old outstanding checks that have been carried on the outstanding checklist for over a year.

The Fiscal Officer should ensure the monthly bank reconciliations are prepared timely (i.e., soon after the monthly bank statement is received). In addition, the Fiscal Officer should include the monthly bank reconciliations with the monthly report package provided to the Board Trustees for review. This will help ensure errors or irregularities are detected timely. Additionally, the Township should follow up on any stale dated checks and either reissue them or post them to the unclaimed monies fund.

**Official’s Response:** This is in the process of being corrected.

**7. Financial Reporting**

<i>Finding Number</i>	2011-007
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MATERIAL WEAKNESS

As a result of audit procedures performed, errors were noted in the Township's financial statements for 2011 and 2010 that required audit adjustments and reclassifications as follows:

- In 2011, \$4,476 of miscellaneous receipts were posted as other financing sources in the General Fund.
- In 2011, \$2,846 of sale of capital asset receipts were posted as other financing sources in the General Fund.
- In 2011, the Township double booked an expenditure totaling \$131 in the Special Revenue Funds.
- In 2011, the Township inappropriately adjusted the fund balance by \$916 in certain Special Revenue Funds.
- In 2011, principal retirement and interest and other fiscal charge expenses totaling \$6,250 and \$364; respectively, were improperly posted as capital outlay expenditures in certain Special Revenue Funds.
- In 2010, principal retirement and interest and other fiscal charge expenses totaling \$6,250 and \$768; respectively, were improperly posted as capital outlay expenditures in certain Special Revenue Funds.

<b><i>Finding Number</i></b>	<b>2011-007 – (Continued)</b>
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Sound financial reporting is the responsibility of the Township and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures to identify and correct errors and omissions. In addition, the Township should review the financial statements and notes prior to submission for audit.

The financial statements and the client's ledgers have been adjusted accordingly.

**Official's Response:** This has been corrected.

**8. Timely Deposits**

<b><i>Finding Number</i></b>	<b>2011-008</b>
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SIGNIFICANT DEFICIENCY

The Fiscal Officer collects all Township receipts; however, certain receipts were not timely deposited by the Fiscal Officer as follows:

- Deposit made on February 26, 2010 totaling \$22,361 included check dates ranging from October 2009 to February 2010;
- Deposit made on June 28, 2010 totaling \$27,305 included check dates ranging from March 2010 to June 2010;
- Deposit made on September 20, 2010 totaling \$33,281 included check dates ranging from July 2010 to September 2010;
- Deposit made on December 31, 2010 totaling \$49,024 included check dates ranging from October 2010 to December 2010;
- Deposit made on April 21, 2011 totaling \$47,718 included check dates ranging from November 2010 to April 2011;
- Deposit made on August 18, 2011 totaling \$21,409 included check dates ranging from April 2011 to June 2011;
- Deposit made on October 21, 2011 totaling \$45,251 included check dates ranging from June 2011 to September 2011;
- Deposit made on December 23, 2011 totaling \$32,773 included check dates ranging from August 2011 to December 2011.

Also, the Fiscal Officer generally did not post the receipts to the financial system until the month the receipts were deposited with the bank.

By having such a long delay 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.

<b><i>Finding Number</i></b>	<b>2011-008</b>
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The Township should implement procedures to help ensure all receipts are deposited with the bank and recorded in the financial system on a timely basis. This would allow the Fiscal Officer and the Board of Trustees to better understand the financial position of the Township.

**Official's Response:** Deposits are being made more frequently.

**9. Posting of Budgetary Activity to the Accounting System**

<i>Finding Number</i>	2011-009
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SIGNIFICANT DEFICIENCY

Upon comparing the 2011 and 2010 Certificate of Estimated Resources to the amounts recorded in the Township's financial reporting system, the following unreconciled differences were noted:

Fund (Year)	Estimated Receipts recorded on the Certificate of Estimated Resources	Estimated Receipts recorded in the system	Variance
General Fund (2011)	\$19,000	\$26,997	(\$7,997)
Gasoline Fund (2011)	55,417	65,417	(10,000)
Fire District Fund (2010)	14,270	19,085	(4,815)

Additionally, the Board of Trustees approves the Annual Appropriation Measure. During 2011 and 2010, the Fiscal Officer amended appropriations; however, Board of Trustee approval was not obtained as evidenced in the minutes as follows:

Fund (Year)	Appropriations approved by the Board	Appropriations recorded in the system	Variance
General Fund (2011)	\$30,449	\$34,914	(\$4,465)
Fire District Fund (2010)	14,287	15,362	(1,075)

As a result, certain budgetary reports generated from the computer system will not reflect approved estimated resources or appropriations.

<i>Finding Number</i>	2011-009
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The Fiscal Officer should implement procedures to help ensure budget activity approved by the Board of Trustees is reconciled to the computer system. Also, the Fiscal Officer should submit all appropriation amendments to the Board of Trustees for approval. This will help allow the Board of Trustees to properly monitor the Township's finances.

The financial statements have been adjusted accordingly.

**Official's Response:** The adjustments have been made.

**WASHINGTON TOWNSHIP  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Rev. Code Section 505.24(C)- Township Trustees Compensation Allocation.	No	Partially Corrected – The entries were not made to adjust the Funds, however, during 2010 and 2011 the Trustees did track their time. During the current audit, the Trustees did not adopt the required resolution regarding the salary allocation.
2009-002	Ohio Rev. Code Section 5705.39 Appropriations exceeding Estimated Revenue.	No	Not corrected.
2009-003	Ohio Rev. Code Section 5705.41(B) Expenditures exceeding Appropriations.	No	Not corrected.
2009-004	Ohio Rev. Code Section 5705.41(D) Certification of expenditures.	No	Not corrected.
2009-005	Proper Classification of Receipts and Expenditures.	No	Not corrected.

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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  
OCTOBER 09, 2012