



Dave Yost • Auditor of State



WASHINGTON TOWNSHIP  
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**



# Dave Yost • Auditor of State

Washington Township  
Hardin County  
11430 St. Rt. 81  
Dola, Ohio 45835

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

August 27, 2012

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Washington Township  
Hardin County  
11430 St. Rt. 81  
Dola, Ohio 45835

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Hardin County, (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.

Also, in our opinion, the financial statements referred to above 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, Hardin County, 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 Township 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 August 27, 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.



**Dave Yost**  
Auditor of State

August 27, 2012



**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$42,501	\$11,656	\$54,157
Charges for Services		1,800	1,800
Intergovernmental	116,158	99,898	216,056
Earnings on Investments	698	376	1,074
Miscellaneous	1,670	1,263	2,933
Total Cash Receipts	<u>161,027</u>	<u>114,993</u>	<u>276,020</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	80,441	3,932	84,373
Public Works	1,547	71,577	73,124
Health		8,394	8,394
Intergovernmental		638	638
Conservation-Recreation	4,336		4,336
Capital Outlay	10,965	30,000	40,965
Total Cash Disbursements	<u>97,289</u>	<u>114,541</u>	<u>211,830</u>
Excess of Receipts Over Disbursements	<u>63,738</u>	<u>452</u>	<u>64,190</u>
<b>Other Financing Receipts:</b>			
Sale of Capital Assets		9,690	9,690
Net Change in Fund Cash Balances	<u>63,738</u>	<u>10,142</u>	<u>73,880</u>
Fund Cash Balances, January 1	<u>251,954</u>	<u>195,839</u>	<u>447,793</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		205,981	205,981
Unassigned (Deficit)	315,692		315,692
Fund Cash Balances, December 31	<u>\$315,692</u>	<u>\$205,981</u>	<u>\$521,673</u>

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

**WASHINGTON TOWNSHIP  
HARDIN 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	\$44,619	\$12,683	\$57,302
Charges for Services		4,375	4,375
Intergovernmental	55,620	100,608	156,228
Earnings on Investments	608	229	837
Miscellaneous	918	4,074	4,992
Total Cash Receipts	<u>101,765</u>	<u>121,969</u>	<u>223,734</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	85,272		85,272
Public Works	1,849	44,269	46,118
Health		3,955	3,955
Intergovernmental		1,303	1,303
Conservation - Recreation	100		100
Total Cash Disbursements	<u>87,221</u>	<u>49,527</u>	<u>136,748</u>
Total Receipts Over Disbursements	<u>14,544</u>	<u>72,442</u>	<u>86,986</u>
<b>Other Financing (Disbursements):</b>			
Other Financing Uses	<u>(634)</u>		<u>(634)</u>
Excess of Cash Receipts Over Cash Disbursements and Other Financing Disbursements	13,910	72,442	86,352
Fund Cash Balances, January 1	<u>238,044</u>	<u>123,397</u>	<u>361,441</u>
Fund Cash Balances, December 31	<u>\$251,954</u>	<u>\$195,839</u>	<u>\$447,793</u>
Reserve for Encumbrances, December 31	<u>\$799</u>	<u>\$45</u>	<u>\$844</u>

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

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED 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, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance and cemetery maintenance.

The Township participates in there jointly governed organization and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

**Blanchard Dunkirk Washington Joint Ambulance District** – provides emergency medical and ambulance services within the District

**Northern Hardin County Fire District** - provides fire protection and rescue services within the District and by contract to areas outside the District.

**Hardin County Regional Planning Commission** – makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

Public Entity Risk Pool:

**Ohio Township Association Risk Management Authority** – provides property and casualty coverage.

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 and Investments**

Demand deposits and savings accounts are valued at cost.

**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:

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

**Road and Bridge Fund** - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

**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. 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. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

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

**F. Fund Balance**

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

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Non-spendable**

The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

**2. Restricted**

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

**3. Committed**

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

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

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

**2. EQUITY IN POOLED DEPOSITS**

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

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

**2. EQUITY IN POOLED DEPOSITS (Continued)**

	<b>2011</b>	<b>2010</b>
Demand deposits	\$521,673	\$447,793

**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, 2011 and 2010 follows:

**2011 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 74,344	\$161,027	\$86,683
Special Revenue	117,325	124,683	7,358
Total	\$191,669	\$285,710	\$94,041

**2011 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$320,600	\$ 97,289	\$223,311
Special Revenue	311,000	114,541	196,459
Total	\$631,600	\$211,830	\$419,770

**2010 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 68,901	\$101,765	\$32,864
Special Revenue	123,981	121,969	(2,012)
Total	\$192,882	\$223,734	\$30,852

**2010 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$212,200	\$ 88,654	\$123,546
Special Revenue	317,520	49,572	267,948
Total	\$529,720	\$138,226	\$391,494

Some homestead and rollback receipts belonging to Road and Bridge and Park Funds were recorded in the General Fund which violated Ohio Rev. Code Section 5705.10(A). Gas excise tax receipts were recorded in a capital projects fund instead of the Gas Tax Fund which violated Ohio Rev. Code Section 5705.10(D).

In 2010, the Motor Vehicle License Tax, Gasoline Tax, and Cemetery Funds had appropriations in excess of estimated resources which violated Ohio Rev. Code Section 5705.39.

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

**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.

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.

The residents of the Township support the Hardin County Veteran's Memorial Park District (the Park) through an un-voted property tax levy. During 2011 and 2010, the Park received \$638 and \$1,303, respectively, in property tax and related homestead and rollback revenue as a result of the tax levy. The property tax money is reported in the Township's Special Revenue Park Levy Fund as Property Tax Receipts; the homestead and roll back revenue is reported as Intergovernmental Revenue; and the disbursements are reported as Intergovernmental in the accompanying financial statements. The tax revenue and related disbursement for the Park is "memo" only since the Hardin County Auditor actually distributes this money directly to the Park. The related homestead and rollback revenue for the Park is received by and distributed by the Township.

**5. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. 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.

**6. RISK MANAGEMENT**

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

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

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010 (the latest information available), OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<b>2010</b>	<b>2009</b>
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<b>Contributions to OTARMA</b>	
<b>2011</b>	<b>2010</b>
\$4,534	\$3,806



**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

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

**7. JOINTLY GOVERNED ORGANIZATIONS**

**Blanchard Dunkirk Washington Joint Ambulance District**

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Blanchard Township, the Village of Dunkirk, and Washington Township. The District provides emergency medical and ambulance services within the District. Financial information can be obtained from Kathy Schroeder, Clerk at P.O. Box 95 Dunkirk Ohio 45836.

**Northern Hardin County Fire District**

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. These subdivisions are the Village of Dunkirk, Blanchard Township, and Washington Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained from Kathy Schroeder, Clerk at 121 South Buckeye Street, Dunkirk, Ohio 45836

**Hardin County Regional Planning Commission**

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

**This page intentionally left blank.**



# 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  
Hardin County  
11430 St. Rt. 81  
Dola, Ohio 45835

To the Board of Trustees:

We have audited the financial statements of Washington Township, Hardin County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 27, 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 and adopted the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011. We also noted 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 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.

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 2011-01 and 2012-02 described in the accompanying schedule of findings to be material weaknesses.

### 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 2011-02 and 2011-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 27, 2012.

We intend this report solely for the information and use of management, 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

August 27, 2012

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

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

**FINDING NUMBER 2011-01**

**Material Weakness – Accuracy of Financial Reporting**

The Township should have procedures in place to provide that financial transactions are correctly classified in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The Township's 2011 and 2010 accounting records and financial statements had the following classification errors:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>	<u>Township Classification</u>	<u>Correct Classification per Ohio Township Handbook and UAN Manual</u>
General	2011	\$4,837	Other Financing Uses	General Government
General	2011	\$6,790	Taxes	Intergovernmental
Special Revenue - Gasoline Tax	2011	\$9,690	Miscellaneous	Other Sources: Sale of Assets
Special Revenue - Cemetery	2011	\$1,800	Miscellaneous	Charges for Services
Special Revenue - Road & Bridge	2011	\$1,633	Taxes	Intergovernmental
General	2010	\$4,537	Taxes	Intergovernmental
Special Revenue - Road & Bridge	2010	\$1,592	Taxes	Intergovernmental
Special Revenue - Cemetery	2010	\$4,375	Miscellaneous	Charges for Services

The accompanying financial statements have been adjusted to correctly classify this financial activity.

The Township also had the following classification errors which were not adjusted in the accompanying financial statements:

<u>Fund</u>	<u>Year</u>	<u>Amount</u>	<u>Township Classification</u>	<u>Correct Classification per Ohio Township Handbook and UAN Manual</u>
General	2010	\$333	Miscellaneous	Intergovernmental
Special Revenue – Road & Bridge	2010	\$334	Taxes	Intergovernmental

The failure to correctly classify financial activity in the accounting records and financial statements may impact, a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Trustees.

The Fiscal Officer should review the Ohio Township Handbook, UAN Manual, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and disbursements. Additionally, the Trustees should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities.

**FINDING NUMBER 2011-02**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code Section 5705.10(A)**, requires that all revenue derived from the general levy for current expense within the ten-mill limitation, from any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from sources other than the general property tax, unless its use for a particular purpose is prescribed by law, shall be paid into the general fund. **Ohio Rev. Code, Section 5705.10(D)**, requires 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 is to be paid into a special fund for such purpose.

During 2011 and 2010, the following receipts were recorded in the wrong fund:

<b>Year</b>	<b>Amount</b>	<b>Receipt Description</b>	<b>Fund Recorded in by Township</b>	<b>Correct Fund</b>
2011	\$4,859	Gasoline Excise Tax	Capital Projects Permanent Improvement	Special Revenue – Gasoline Tax
2011	\$ 928	Homestead & Rollback	General Fund	Special Revenue - Road & Bridge
2011	\$ 278	Homestead & Rollback	General Fund	Park Levy
2010	\$ 91	Homestead & Rollback	General Fund	Park Levy

The accompanying financial statements and the accounting records have been adjusted to record these receipts in the correct fund.

We also identified the following errors which were not adjusted in the accompanying financial statements or accounting records:

<b>Year</b>	<b>Amount</b>	<b>Receipt Description</b>	<b>Fund Recorded in by Township</b>	<b>Correct Fund</b>
2011	\$341	Excess IRP Vehicle License Fees	General	Special Revenue – Motor Vehicle License Tax
2010	\$367	Excess IRP Vehicle License Fees	General	Special Revenue – Motor Vehicle License Tax

The failure to record receipts in the correct fund may impact, a user's understanding of the financial operations, the ability to make sound financial decisions, the ability to comply with budgetary laws, may result in the illegal expenditure of restricted money, and may result in the material misstatement of the financial statements. In addition, such undetected errors may result in irregularities not being detected in a timely manner by the Trustees.

The Fiscal Officer should review the Ohio Township Handbook, UAN Manual, Auditor of State Bulletins, and other resources for guidance in correctly recording receipts. Additionally, the Trustees should perform periodic reviews of the receipt and disbursement ledgers to help identify errors and/or irregularities. The Township should consider correcting the unadjusted errors identified above since they may become material in subsequent years.

**FINDING NUMBER 2011-03**

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.39** requires that total appropriations from each fund not exceed the total estimated resources. During 2010, the following funds had appropriations in excess of estimated resources:

<b>Fund</b>	<b>Estimated Resources</b>	<b>Appropriations</b>	<b>Variance</b>
Motor Vehicle License Tax	\$ 7,547	\$ 20,000	(\$ 2,453)
Gasoline Tax	\$172,101	\$239,000	(\$66,899)
Cemetery	\$ 18,000	\$ 45,000	(\$27,000)

Appropriating in excess of estimated resources may result in actual obligations that cannot be paid with available resources. As a result the Township could incur deficit spending or the use of restricted resources for illegal purposes.

The Township should implement review procedures to help assure the adopted appropriations are within the certified estimated resources.

**OFFICIALS' RESPONSE:** We did not receive a response from Officials to the findings reported above.

**WASHINGTON TOWNSHIP  
HARDIN COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2009-001	Failure to record and budget for pass-through receipts from OPWC	Yes	
2009-002	Ohio Const. XII, Section 5a and Ohio Rev. Code Section 153.21 – Allocation of Interest	Yes	
2009-003	Ohio Rev. Code Section 5705.41(D)(1) – Prior Certification	No	Repeated in Management Letter
2009-004	Ohio Rev. Code Section 5705.36(A)(2) – The General Fund and Motor Vehicle License Tax Fund had Appropriations in excess of Available Resources	Yes	
2009-005	Ohio Rev. Code Section 5705.10 – the Township had a negative cash balance in the Motor Vehicle License Tax Fund	Yes	
2009-006	Ohio Rev. Code Section 5705.10 – Distribution of Taxes; The Township recorded estate tax receipts in the incorrect fund	No	Repeated as Finding 2011-02





# Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

HARDIN 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