



Dave Yost • Auditor of State

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Township
Williams County
1654 County Road P50
Edon, Ohio 43518-9524

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Northwest Township, Williams County, Ohio, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Florence Township, Williams County, Ohio as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012, the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

June 26, 2014

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$34,473	\$102,811	\$137,284
Intergovernmental	43,964	114,957	158,921
Earnings on Investments	137	39	176
Miscellaneous	8,275	5,420	13,695
<i>Total Cash Receipts</i>	<u>86,849</u>	<u>223,227</u>	<u>310,076</u>
Cash Disbursements			
Current:			
General Government	54,510		54,510
Public Safety		38,763	38,763
Public Works		109,982	109,982
Health		4,832	4,832
Capital Outlay	56,376	174,563	230,939
Debt Service:			
Principal Retirement	2,443	35,715	38,158
Interest and Fiscal Charges	660	9,158	9,818
<i>Total Cash Disbursements</i>	<u>113,989</u>	<u>373,013</u>	<u>487,002</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(27,140)</u>	<u>(149,786)</u>	<u>(176,926)</u>
Other Financing Receipts			
Other Debt Proceeds		170,000	170,000
Sale of Capital Assets	6,600	3,500	10,100
Other Financing Sources	81,034		81,034
<i>Total Other Financing Receipts</i>	<u>87,634</u>	<u>173,500</u>	<u>261,134</u>
<i>Net Change in Fund Cash Balances</i>	60,494	23,714	84,208
<i>Fund Cash Balances, January 1</i>	<u>73,746</u>	<u>50,740</u>	<u>124,486</u>
Fund Cash Balances, December 31			
Restricted		56,997	56,997
Committed		17,457	17,457
Unassigned	134,240		134,240
<i>Fund Cash Balances, December 31</i>	<u>\$134,240</u>	<u>\$74,454</u>	<u>\$208,694</u>

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

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$35,575	\$104,777	\$140,352
Intergovernmental	20,793	114,722	135,515
Earnings on Investments	198	73	271
Miscellaneous	5,426	6,727	12,153
<i>Total Cash Receipts</i>	<u>61,992</u>	<u>226,299</u>	<u>288,291</u>
Cash Disbursements			
Current:			
General Government	74,224		74,224
Public Safety		19,485	19,485
Public Works		157,143	157,143
Health		25,314	25,314
Capital Outlay	22,857	63,151	86,008
Debt Service:			
Principal Retirement	7,843	30,315	38,158
Interest and Fiscal Charges	733	9,920	10,653
<i>Total Cash Disbursements</i>	<u>105,657</u>	<u>305,328</u>	<u>410,985</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(43,665)</u>	<u>(79,029)</u>	<u>(122,694)</u>
Other Financing Receipts			
Sale of Capital Assets		4,025	4,025
Other Financing Sources	95,000	1,000	96,000
<i>Total Other Financing Receipts</i>	<u>95,000</u>	<u>5,025</u>	<u>100,025</u>
<i>Net Change in Fund Cash Balances</i>	51,335	(74,004)	(22,669)
<i>Fund Cash Balances, January 1</i>	<u>22,411</u>	<u>124,744</u>	<u>147,155</u>
Fund Cash Balances, December 31			
Restricted		47,955	47,955
Committed		2,785	2,785
Unassigned	73,746		73,746
<i>Fund Cash Balances, December 31</i>	<u><u>\$73,746</u></u>	<u><u>\$50,740</u></u>	<u><u>\$124,486</u></u>

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

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 Northwest Township, Williams 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, cemetery maintenance, and fire protection services

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

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

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.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Fire District Fund - This fund receives tax money to provide for township fire protection equipment and services.

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

In 2012 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. 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:

1. Nonspendable

The Township classifies assets as *nonspendable* 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.

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	<u>\$208,694</u>	<u>\$124,486</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$151,843	\$174,483	\$22,640
Special Revenue	393,454	396,727	3,273
Total	\$545,297	\$571,210	\$25,913

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$225,589	\$113,989	\$111,600
Special Revenue	444,194	373,013	71,181
Total	\$669,783	\$487,002	\$182,781

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$154,230	\$156,992	\$2,762
Special Revenue	235,023	231,324	(3,699)
Total	\$389,253	\$388,316	(\$937)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$176,641	\$105,657	\$70,984
Special Revenue	359,767	305,328	54,439
Total	\$536,408	\$410,985	\$125,423

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.

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

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2007 Bank Loan	\$28,000	4.5%
2011 Bank Loan	119,301	3.0%
2011 Bank Loan	19,543	3.0%
2013 Bank Loan	170,000	4.0%
Total	<u>\$336,844</u>	

In 2007, the Township obtained a bank loan for 10 years, maturing on November 7, 2017, from Edon State Bank to finance the purchase of fire equipment. The loan is uncollateralized.

In 2011, the Township obtained two bank loans maturing in 10 years on December 7, 2021 from Edon State Bank to finance the purchase of a new fire truck and a new furnace for the community building. These loans are uncollateralized.

In 2013, the Township obtained a bank loan for 12 years maturing on December 6, 2025 from Edon State Bank to finance the purchase of a fire truck. The loan is uncollateralized.

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

Year ending December 31:	2007 Bank Loan	2011 Bank Loan	2011 Bank Loan	2013 Bank Loan
2014	\$8,260	\$18,491	\$3,029	\$18,175
2015	7,945	18,044	2,956	18,175
2016	7,630	17,597	2,883	18,175
2017	7,315	17,150	2,809	18,175
2018		16,702	2,736	18,175
2019-2023		47,422	7,768	90,875
2024-2025				36,350
Total	<u>\$31,150</u>	<u>\$135,406</u>	<u>\$22,181</u>	<u>\$218,100</u>

6. Capital Lease

The Township entered into a lease for a Sterling Truck. The lease is repaid from the General, Gasoline Tax, Road and Bridge, Cemetery and Permissive Motor Vehicle License Tax funds. The Township has one remaining payment, due in 2014, in the amount of \$17,359.

7. Retirement System

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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2013, 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, 2013.

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management

Risk Pool Membership

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.

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. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. 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

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$6,000.

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management (Continued)

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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$10,708	\$11,352

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.

9. Loan Receivable

In 2002, the Township issued a one year, interest free loan to the Northwest Water District, Williams County, Ohio. In 2011, the Township Board of Trustees renewed the loan and approved an additional amount of \$4,796 to bring the total loan to \$22,746. There was no loan activity in 2013 or 2012. This loan in the amount of \$22,746 is renewable on an annual basis at the discretion of the Township Board of Trustees.

10. Related Organization

The Northwest Water District, (the Water District), was established as a regional Water District pursuant to Chapter 6119 of the Ohio Revised Code. The Township appoints the Board of Trustees of the Water District. The Township is not financially accountable to the Water District. Transactions with the Water District have been described in note 9 to the financial statements.

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Dave Yost • Auditor of State

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

Northwest Township
Williams County
1654 County Road P50
Edon, Ohio 43518-9524

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Northwest Township, Williams County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated June 26, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and the Township adopted new accounting guidance in *Governmental Accounting Standards Board Statement 54*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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 2013-001 and 2013-002 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

June 26, 2014

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness - Financial Reporting

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

As a result of the audit procedures performed, the following errors were noted in the financial statements:

1. Township equipment sold was not reported as sales of capital assets. Proceeds from the sale of a tractor (\$4,025) in 2012 and a fire truck (\$3,500) in 2013 were reported as miscellaneous revenue. Proceeds from the sale of a loader (\$6,600) in 2013 were reported as an extraordinary item.
2. Insurance proceeds from a fire damage claim were posted as miscellaneous revenue (\$95,000) in 2012 and as an extraordinary item (\$81,035) in 2013, instead of other financing sources.
3. In 2013, equipment purchases were not recorded as capital outlay. A mower (\$11,000) and a loader (\$45,376) were posted as general government expenditures. A fire truck (\$174,563) was posted as general government and public safety expenditures.
4. The proceeds from a 2013 bank loan (\$170,000) were reported as other financing sources rather than as other debt proceeds.
5. 2013 special revenue fund expenditures were not classified consistent as 2012. Expenditures recorded in the Motor Vehicle License Tax (\$13,292), Gasoline Tax (\$59,834), Road and Bridge (\$19,059) and Permissive Motor Vehicle License Tax (\$7,956) funds were classified as general government instead of public works. Gasoline Tax fund expenditures (\$9,841) were recorded as conservation-recreation instead of public works. Cemetery fund expenditures (\$4,832) were recorded as general government instead of health. Fire District fund expenditures were general government (\$43,325) instead of public safety.

Adjustments were recorded in the accompanying financial statements to correct these errors.

To ensure the Township's financial statements and notes to the statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board of Trustees, to identify and correct errors and omissions. The Fiscal Officer should also review the Township Handbook's chart of accounts to ensure all accounts are being properly posted to the financial statements.

FINDING NUMBER 2013-002

Material Weakness - Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions.

Special revenue funds are defined as funds used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Restricted revenues included those where constraints have placed been on the use by either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments (i.e., State Statutes); or (b) imposed by law through constitutional provisions or enabling legislation.

Committed revenues include amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (such as an ordinance or resolution).

The Motor Vehicle License Tax, Gasoline Tax, Cemetery, Fire District and Permissive Motor Vehicle License Tax funds are reported as special revenue funds since the revenues within these funds are restricted. The 2012 fund balances of \$3,033, \$14,334, \$785, \$27,095 and \$2,707 respectively, were classified as unassigned rather than restricted.

The Road and Bridge fund is reported as a special revenue fund since the revenues within the fund were committed by the Trustees for use of road and bridge construction and maintenance. The fund balance of \$2,785 at December 31, 2012 was classified as unassigned rather than committed. The fund balance of \$17,457 at December 31, 2013 was classified as restricted rather than committed.

Adjustments were recorded in the accompanying financial statements to correct these errors.

In order to ensure the Township's governmental fund balances are reported in accordance with GASB 54, we recommend the Township review Auditor of State Bulletin 2011-004.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**NORTHWEST TOWNSHIP
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Material weakness due to certain revenues being incorrectly classified.	No	Not Corrected - Reissued as Finding 2013-001 in this report.

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Dave Yost • Auditor of State

NORTHWEST TOWNSHIP

WILLIAMS 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
JULY 15, 2014**