

Washington Township
Scioto County
Regular Audit
For the Years Ended December 31, 2015 and 2014



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Dave Yost • Auditor of State

Board of Trustees
Washington Township
2220 Pershing Avenue
West Portsmouth, Ohio 45663

We have reviewed the *Independent Auditor's Report* of Washington Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2014 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Washington Township is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

October 4, 2016

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Washington Township
Scioto County
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For the Years Ended December 31, 2015 and 2014

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Independent Auditor's Report

Board of Trustees
Washington Township
Scioto County
2220 Pershing Avenue
West Portsmouth, Ohio 45663

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Washington Township, Scioto County, (the Township) as of and for the years ended December 31, 2015 and 2014.

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 opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2015 and 2014, 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 Washington Township, Scioto County, as of December 31, 2015 and 2014 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2016 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

July 28, 2016

Washington Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2015

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$58,951	\$1,019,035	\$1,077,986
Charges for Services	0	99,494	99,494
Licenses, Permits, and Fees	52,876	0	52,876
Intergovernmental	20,267	114,435	134,702
Earnings on Investments	5,789	1,386	7,175
Miscellaneous	5,079	579	5,658
Total Cash Receipts	142,962	1,234,929	1,377,891
Cash Disbursements:			
Current:			
General Government	120,720	164,991	285,711
Public Safety	0	514,459	514,459
Public Works	0	700,730	700,730
Health	26,400	0	26,400
Capital Outlay	32,552	11,845	44,397
Debt Service:			
Redemption of Principal	0	35,664	35,664
Interest and Other Fiscal Charges	0	4,336	4,336
Total Cash Disbursements	179,672	1,432,025	1,611,697
Excess of Cash Receipts Over (Under) Cash Disbursements	(36,710)	(197,096)	(233,806)
Other Financing Receipts:			
Other Financing Sources	0	10,151	10,151
Net Change in Fund Cash Balance	(36,710)	(186,945)	(223,655)
Fund Cash Balances, January 1	155,210	1,141,534	1,296,744
Fund Cash Balances, December 31:			
Restricted for:			
Road and Bridge Maintenance and Improvements	0	317,065	317,065
Fire Operations	0	296,431	296,431
Police Protection	0	127,968	127,968
Emergency Medical Services	0	82,772	82,772
Committed for:			
Road and Bridge Maintenance and Improvements	0	130,353	130,353
Unassigned	118,500	0	118,500
Fund Cash Balances, December 31	\$118,500	\$954,589	\$1,073,089

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

Washington Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2014

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$59,560	\$759,853	\$819,413
Charges for Services	0	128,225	128,225
Licenses, Permits, and Fees	53,820	0	53,820
Intergovernmental	28,931	288,427	317,358
Earnings on Investments	4,756	1,156	5,912
Miscellaneous	5,913	1,055	6,968
Total Cash Receipts	152,980	1,178,716	1,331,696
Cash Disbursements:			
Current:			
General Government	126,455	142,872	269,327
Public Safety	0	516,682	516,682
Public Works	6,649	245,030	251,679
Health	27,218	0	27,218
Capital Outlay	0	167,609	167,609
Debt Service:			
Redemption of Principal	0	30,843	30,843
Interest and Other Fiscal Charges	0	2,303	2,303
Total Cash Disbursements	160,322	1,105,339	1,265,661
Excess of Cash Receipts Over (Under) Cash Disbursements	(7,342)	73,377	66,035
Other Financing Receipts:			
Other Financing Sources	0	10,500	10,500
Proceeds from Loan	0	84,289	84,289
Sale of Fixed Assets	0	83,326	83,326
Total Other Financing Receipts	0	178,115	178,115
Net Change in Fund Cash Balance	(7,342)	251,492	244,150
Fund Cash Balances, January 1	162,552	890,042	1,052,594
Fund Cash Balances, December 31:			
Restricted for:			
Road and Bridge Maintenance and Improvements	0	578,397	578,397
Fire Operations	0	106,147	106,147
Police Protection	0	218,084	218,084
Emergency Medical Services	0	123,498	123,498
Committed for:			
Road and Bridge Maintenance and Improvements	0	115,408	115,408
Unassigned	155,210	0	155,210
Fund Cash Balances, December 31	\$155,210	\$1,141,534	\$1,296,744

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

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general road and bridge services, including road and bridge maintenance (public works), ambulance services (health), and fire protection (public safety). The Township contracts with the Minford Volunteer Fire Department and the Stockdale Volunteer Fire Department to provide fire services and the Minford Emergency Ambulance Service, Inc. to provide ambulance service.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA) – This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

Basis of Accounting

These financial statements follow the accounting basis the Auditor of State of Ohio 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.

Cash

The Township maintains its cash pool in interest-bearing checking and savings accounts with local commercial banks.

Fund Accounting

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

General Fund

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

Special Revenue Funds

These funds account for proceeds from specific sources (other than those 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:

Gasoline Tax Fund – This fund receives gasoline tax monies and is used to account for road work done by the Township.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

Road and Bridge Fund – This fund receives property tax monies and is used to account for road work done by the Township.

Fire Fund – This fund receives property tax money and is used to account for costs to provide fire protection to residents of the Township.

Ambulance Fund – This fund receives property tax monies and is used to account for costs to provide ambulatory services to residents of the Township.

Road and Bridge Levy Fund – This fund receives property tax monies and is used to account for costs to provide for maintenance of the Township’s roads.

Sheriff Fund – This fund receives property tax monies and is used to account for costs to provide police protection to residents of the Township via a contract with the Scioto County Sheriff’s Department.

Special Levy Fire Fund – This fund receives property tax monies and is used for the purpose of fire protection to residents of the Township.

Budgetary Process

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

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.

Estimated Resources

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

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 in the subsequent year.

A summary of the 2015 and 2014 budgetary activity appears in Note 3.

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 the resources in the governmental funds. The classifications are as follows:

Nonspendable – The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Committed – Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amends 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.

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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

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.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township’s basis of accounting.

Note 2 – Equity in Pooled Cash

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

	2015	2014
Demand Deposits	\$1,073,089	\$1,296,744

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

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,882	\$142,962	\$16,080
Special Revenue	1,352,600	1,245,080	(107,520)
Total	\$1,479,482	\$1,388,042	(\$91,440)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$282,000	\$179,672	\$102,328
Special Revenue	2,225,487	1,432,025	793,462
Total	\$2,507,487	\$1,611,697	\$895,790

Budgetary activity for the year ending December 31, 2014 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$127,184	\$152,980	\$25,796
Special Revenue	1,177,615	1,356,831	179,216
Total	\$1,304,799	\$1,509,811	\$205,012

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$286,000	\$160,322	\$125,678
Special Revenue	1,729,496	1,105,339	624,157
Total	\$2,015,496	\$1,265,661	\$749,835

Note 4 – Property Taxes

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.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 5 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Ambulance Note	\$67,025	3.37%
Tractor Note	51,417	3.85%
Total	\$118,442	

On January 29, 2009, the Township took out a note for \$119,370 to finance the purchase of a fire/rescue truck. The Township is scheduled to make semi-annual payments in the amount of \$13,254.98, which includes interest, through January 29, 2014. The note is collateralized by the value of the fire/rescue truck. The fire/rescue truck was paid in full in 2014.

On July 31, 2014, the Township took out a note for \$84,289 to finance the purchase of an ambulance. The Township is scheduled to make semi-annual payments in the amount of \$9,241.99, which includes interest, through July 31, 2019. The note is collateralized by the value of the ambulance.

On August 6, 2013, the Township took out a note for \$87,777 to finance the purchase of a tractor. The Township is scheduled to make semi-annual payments in the amount of \$9,380, which includes interest, through August 6, 2018. The note is collateralized by the value of the Tractor.

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

Year Ending December 31:	Ambulance Note	Tractor Note
2016	\$18,484	\$18,761
2017	18,484	18,761
2018	18,484	16,236
2019	16,694	0
Total	\$72,146	\$53,758

Note 6 – Retirement System

The Township’s employees and officials 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 7 – 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
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – 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. 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, 2015, 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, 2015 and 2014 (the latest information available):

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	<u>(8,418,518)</u>	<u>(8,912,432)</u>
Net Assets	<u>\$28,894,793</u>	<u>\$27,057,831</u>

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$16,000.

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.

Contributions to OTARMA

	<u>2015</u>	<u>2014</u>
	\$29,698	\$30,001

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

Note 7 – 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.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 10 – Compliance

The Township did not properly encumber funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

The Township had expenditures in excess of appropriations, which is contrary to Ohio Revised Code Section 5705.41(B).

Note 11 – Subsequent Events

On June 3, 2016, the Township entered into a lease-purchase agreement with CAT Financial for a total of \$58,913.60. The purpose of this lease-purchase agreement is to purchase a Caterpillar Hydraulic Excavator for Township use. The Township's first payment of \$20,293.26 is due June 3, 2016. The annual payment of \$20,293.26 will be due on June 3 of each year with the final payment being \$1. The maturity date of the agreement is June 3, 2019. The interest rate per the agreement is 2.49% annually.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Washington Township
Scioto County
2220 Pershing Avenue
West Portsmouth, Ohio 45663

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washington Township, Scioto County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated July 28, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2015-002 and 2015-003, that we consider to be material weaknesses.

Washington Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-001 and 2015-004.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

July 28, 2016

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2015-001

Noncompliance Citation - Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

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

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

There were several instances identified in 2015 and 2014 for which funds were not properly certified prior to commitment or expenditure of funds.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that 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.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

FINDING NUMBER 2015-001 (Continued)

Noncompliance Citation - Prior Encumbrance of Funds (Continued)

The Township officials and employees should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitments, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response:

The Township is looking into this.

FINDING NUMBER 2015-002

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified various receipts and disbursements in 2015 and 2014 and in certain instances recorded receipts in incorrect funds. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Client Response:

The Township is looking into this.

FINDING NUMBER 2015-003

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing body. Certain amendments should also be filed with the County.

During 2014 and 2015, we identified variances between amended certificates filed with the County Auditor and the estimated resources and appropriations within the accounting system in various funds, which indicates that amendments to estimated resources and/or appropriations were either not approved by the Trustees or not filed with the County Auditor.

Client Response:

The Township is looking into this.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2015 and 2014

FINDING NUMBER 2015-004

Noncompliance Citation – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in 2014 and 2015 as they did not pass 2015 appropriations until January 15, 2015 and 2014 appropriations until February 6, 2014. They also had expenditures in excess of appropriations at year end in 2014 in the Ambulance Fund and in 2015 the Fire Station Fund. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

Client Response:

The Township is looking into this.

Washington Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2015 and 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2013-001	Noncompliance Citation – ORC Section 5705.41(D)	Yes	Reissued as Finding 2015-001
Finding 2013-002	Material Weakness – Financial Reporting	Yes	Reissued as Finding 2015-002
Finding 2013-003	Material Weakness – Budgetary Information Within UAN	Yes	Reissued as Finding 2015-003

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Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

SCIOTO 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 18, 2016