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1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358



Certified Public Accountants, A.C.

**WASHINGTON TOWNSHIP
HENRY COUNTY
Regular Audit**

For the Years Ended December 31, 2016 and 2015

www.perrycpas.com

...“bringing more to the table”

Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Trustees
Washington Township
P. O. Box 27
Liberty Center, Ohio 43532

We have reviewed the *Independent Auditors Report* of the Washington Township, Henry County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. 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. The 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

May 9, 2017

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WASHINGTON TOWNSHIP
HENRY COUNTY

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INDEPENDENT AUDITOR'S REPORT

April 14, 2017

Washington Township
Henry County
P.O. Box 27
Liberty Center, OH 43532

To the Board of Trustees:

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**, Henry County, (the Township) as of and for the years ended December 31, 2016 and 2015.

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.



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

As described in Note 1B 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, 2016 and 2015, 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, Henry County as of December 31, 2016 and 2015, 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2017, 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.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 35,483	\$ 222,753	\$ -	\$ -	\$ 258,236
Charges for Services	-	17,794	-	-	\$17,794
Licenses, Permits and Fees	1,920	2,350	-	-	4,270
Intergovernmental	22,248	129,326	-	23,785	175,359
Earnings on Investments	77	40	-	-	117
Miscellaneous	300	5,970	-	-	6,270
<i>Total Cash Receipts</i>	<u>60,028</u>	<u>378,233</u>	<u>-</u>	<u>23,785</u>	<u>462,046</u>
Cash Disbursements					
Current:					
General Government	42,346	60	-	-	42,406
Public Safety	1,225	40,259	-	-	41,484
Public Works	-	245,226	-	-	245,226
Health	9,179	482	-	-	9,661
Capital Outlay	-	54,636	-	23,785	78,421
<i>Total Cash Disbursements</i>	<u>52,750</u>	<u>340,663</u>	<u>-</u>	<u>23,785</u>	<u>417,198</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>7,278</u>	<u>37,570</u>	<u>-</u>	<u>-</u>	<u>44,848</u>
Other Financing Receipts (Disbursements)					
Transfers In	10,437	12,000	-	-	22,437
Transfers Out	-	-	(22,437)	-	(22,437)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>10,437</u>	<u>12,000</u>	<u>(22,437)</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	17,715	49,570	(22,437)	-	44,848
<i>Fund Cash Balances, January 1</i>	<u>114,429</u>	<u>918,802</u>	<u>22,437</u>	<u>-</u>	<u>1,055,668</u>
Fund Cash Balances, December 31					
Restricted	-	968,372	-	-	968,372
Unassigned	132,144	-	-	-	132,144
<i>Fund Cash Balances, December 31</i>	<u>\$ 132,144</u>	<u>\$ 968,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,100,516</u>

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

**WASHINGTON TOWNSHIP
HENRY COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 34,163	\$ 144,738	\$ -	\$ 178,901
Charges for Services	-	17,511	-	\$17,511
Licenses, Permits and Fees	740	2,900	-	3,640
Intergovernmental	24,684	135,413	-	160,097
Earnings on Investments	71	36	-	107
Miscellaneous	53	4,791	-	4,844
<i>Total Cash Receipts</i>	<u>59,711</u>	<u>305,389</u>	<u>-</u>	<u>365,100</u>
Cash Disbursements				
Current:				
General Government	34,245	13,354	-	47,599
Public Safety	1,225	46,178	-	47,403
Public Works	-	180,544	-	180,544
Health	2,105	6,139	-	8,244
Capital Outlay	1,400	8,165	-	9,565
<i>Total Cash Disbursements</i>	<u>38,975</u>	<u>254,380</u>	<u>-</u>	<u>293,355</u>
<i>Net Change in Fund Cash Balances</i>	20,736	51,009	-	71,745
<i>Fund Cash Balances, January 1</i>	<u>93,693</u>	<u>867,793</u>	<u>22,437</u>	<u>983,923</u>
Fund Cash Balances, December 31				
Restricted	-	918,802	22,437	941,239
Unassigned	114,429	-	-	114,429
<i>Fund Cash Balances, December 31</i>	<u>\$ 114,429</u>	<u>\$ 918,802</u>	<u>\$ 22,437</u>	<u>\$ 1,055,668</u>

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

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Henry County, (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, fire protection and emergency medical services. The Township is zoned.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in one joint venture and the Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. Notes 7 and 9 to the F/S provide additional information for these entities. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road and Bridge Fund The road and bridge fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Special Levy Fund The special levy fund receives monies from property tax and other local taxes and intergovernmental to maintain and repair the Township Roads.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Funds:

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2 – Summary of Significant Accounting Policies (Continued)

General Assessment Bond Retirement Fund The general assessment bond retirement fund accounts for and reports resources restricted for the retirement of debt issued to finance public improvements deemed to benefit the properties against which special assessments are levied.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

OPWC Project - The township received a grant from the state for capital improvements in the amount of \$23,784.93. The proceeds are restricted for capital improvement.

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments.

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.

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 2016 and 2015 budgetary activity appears in Note 3.

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.

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 2- Summary of Significant Accounting Policies (Continued)

Capital Assets

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

Fund Balance

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:

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

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 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.

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.

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 and 2015 follows:

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 3 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 47,054	\$ 70,465	\$ 23,411
Special Revenue	257,414	390,233	132,819
Capital Projects	96,406	23,785	(72,621)
Total	\$ 400,874	\$ 484,483	\$ 83,609

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 161,483	\$ 52,750	\$ 108,733
Special Revenue	1,175,543	340,663	834,880
Debt Service	22,437	22,437	-
Capital Projects	-	23,785	(23,785)
Total	\$ 1,359,463	\$ 439,635	\$ 919,828

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 46,029	\$ 59,711	\$ 13,682
Special Revenue	252,907	305,389	52,482
Total	\$ 298,936	\$ 365,100	\$ 66,164

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 139,721	\$ 38,975	\$ 100,746
Special Revenue	1,112,025	254,380	857,645
Debt Service	22,437	-	22,437
Total	\$ 1,274,183	\$ 293,355	\$ 980,828

Note 4 – 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:

	2016
Demand deposits	\$ 1,100,516
Total deposits	\$ 1,100,516

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 4 – Deposits Continued

	2015
Demand deposits	\$ 1,055,668
Total deposits	\$ 1,055,668

Deposits

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

Note 5 – 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.

Note 6 - Interfund Activity

General Bond Retirement Fund This fund had received monies from a 1.5 bond levy for the construction of a new fire station. The bond was paid off on October 21, 2013. An unexpended balance of \$22,437 remained. In 2016, a resolution by the Board of Trustees on April 25, 2016 approved to transfer the unexpended balance of the bond retirement fund to the general fund, \$10,437; cemetery fund, \$5,000; and fire department, \$7,000. Common Pleas Court approved transfer on May 24, 2016.

Note 7 - Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 7 – Risk Management (Continued)

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	2015	2014
Cash and investments	\$ 14,643,667	\$ 14,830,185
Actuarial liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$ 5,531,637	\$ 5,887,681

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Two employees and three elected 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 include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016 and 2015.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2012-2016</i>	<i>10%</i>	<i>14%</i>

WASHINGTON TOWNSHIP
HENRY COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

Note 8 – Defined Benefit Pension Plans (Continued)

Social Security

For 2016, two Township employees and one Trustee contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Trustee Harold Conner, term beginning January 1, 2016, chose to contribute to the Social Security system. Mr. Conner had the option to participate in OPERS or Social Security due to being a newly elected official who had not participated in OPERS previously.

Note 9 - Joint Ventures

The Township appropriates fire fund operating monies generated by a 1.2 mill continuing levy and 1.00 mill 5 year renewable levy to support a joint volunteer fire department with Liberty Township Henry County. All revenues except the Washington Twp direct deposited levy collections are processed by Liberty Township. All fire department revenue except Washington Twp levy collections and Liberty Twp levy collections are split Liberty Twp 60% and Washington Twp 40%. All fire department expenses except Washington Twp Trustee and FO attributed salary time and related taxes are split 60/40%.

Note 10 - Related Party Transactions

For the year 2016 the Township hired the services of Premier Patching Inc. for opening graves, spray patching and crack sealing township roads. Total dollars of business in 2016 was \$37,119.03. Trustee Julian Westhoven is a brother to the principle owner of Premier Patching Inc. Trustee is not involved in business decisions involving this vendor, i.e. motions, vote, nor signature on Purchase Orders or checks.

Note 11 – Subsequent Events

Additional tax for purpose of general construction, reconstruction, resurfacing and repair of streets, roads, and bridges at rate 1.5 mill, 5 years, commencing in 2015, first due in calendar year 2016.

Renewal of a tax for the purpose of fire protection and emergency medical services at a rate of 1 mill, 5 years, commencing in 2016, first due in calendar year 2017.

Note 12 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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.



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

April 14, 2017

Washington Township
Henry County
P.O. Box 27
Liberty Center, Ohio 43532

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 the cash balances, receipts, and disbursements by fund type of **Washington Township**, Henry County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated April 14, 2017, 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

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.

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.

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2016-002.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 14, 2017.

Entity's Response to Findings

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

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

WASHINGTON TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-001

Material Weakness

Posting Receipts, Disbursements and Fund Balances

The Township should have procedures and controls in place to prevent and detect errors in financial reporting. Funds and fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

During 2016 and 2015, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Zoning Fund balance and related activity was classified as Restricted Special Revenue instead of unassigned within the General Fund in 2016 and 2015: with the implementation of GASB 54 the zoning fund no longer meets the criteria for being a special revenue fund;
- Road project disbursement classified as General Government instead of Public Works in the Special Levy Fund in 2016.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

In addition to the above items, unadjusted differences were noted in 2016 for an Ohio Dept. of Public Safety Grant as Miscellaneous instead of Intergovernmental Receipts in the Fire District Fund. We also noted unadjusted differences in 2016 and 2015 for the sale of equipment as Miscellaneous instead of Sale of Fixed Asset in the Road and Bridge Fund.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

The Fiscal Officer should refer to the Ohio Township Handbook for the proper classification and take additional care in posting transactions to the Township's ledger and annual financial report in order to ensure the Township's year-end financial statement reflect the appropriate sources and uses of the Township's receipts and disbursements. The fiscal officer should also refer to Auditor of State Technical Bulletin 2011-004 for information on fund and fund balance classifications.

Management's Response – We understand the finding and will be more vigilant in the future.

WASHINGTON TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-002

Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting 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. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" certificate - If the fiscal officer can certify 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.
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 entity 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. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 31% of the expenditures tested for 2016 and for 14% of the expenditures tested for 2015.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

WASHINGTON TOWNSHIP
HENRY COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

FINDING NUMBER 2016-002 (Continued)

Noncompliance (Continued)

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

Management's Response – We understand the finding and will be more vigilant in the future.



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

HENRY 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
MAY 23, 2017