



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

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Dave Yost • Auditor of State

Washington Township
Brown County
169 Winchester Street
Sardinia, Ohio 45171

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

July 5, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Brown County
169 Winchester Street
Sardinia, Ohio 45171

To the Board of Trustees:

We have audited the accompanying financial statements of Washington Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in paragraph three, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We were unable to obtain sufficient audit evidence to determine the accuracy of the financial statement disbursement function classifications on the financial statements except the Debt Service - Redemption of Principal and Debt Service – Interest and Other Fiscal Charges line items in the Special Revenue Fund Type. The remaining functions comprise 96% for 2010 and 90% for 2011 of total disbursements.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the expenditure function classifications discussed in paragraph three above, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 as of December 31, 2010 of Washington Township, Brown County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

July 5, 2012

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$25,540	\$28,951	\$54,491
Licenses, Permits and Fees	905		905
Intergovernmental	53,506	97,505	151,011
Earnings on Investments	31	84	115
Miscellaneous	845		845
<i>Total Cash Receipts</i>	<u>80,827</u>	<u>126,540</u>	<u>207,367</u>
Cash Disbursements			
Current:			
General Government	48,342		48,342
Public Safety		28,087	28,087
Public Works	8,515	72,088	80,603
Health	1,390		1,390
Conservation-Recreation	24,737		24,737
Capital Outlay	1,008		1,008
Debt Service:			
Principal Retirement		19,135	19,135
Interest and Fiscal Charges		250	250
<i>Total Cash Disbursements</i>	<u>83,992</u>	<u>119,560</u>	<u>203,552</u>
<i>Excess of Receipts Over Disbursements</i>	<u>(3,165)</u>	<u>6,980</u>	<u>3,815</u>
<i>Net Change in Fund Cash Balances</i>	(3,165)	6,980	3,815
<i>Fund Cash Balances, January 1</i>	<u>9,386</u>	<u>116,441</u>	<u>125,827</u>
Fund Cash Balances, December 31			
Restricted		123,421	123,421
Unassigned (Deficit)	6,221		6,221
<i>Fund Cash Balances, December 31</i>	<u>\$6,221</u>	<u>\$123,421</u>	<u>\$129,642</u>

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

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$25,574	\$28,116	\$53,690
Licenses, Permits, and Fees		2,185	2,185
Intergovernmental	26,062	102,337	128,399
Earnings on Investments	34	125	159
Miscellaneous	3,195		3,195
 Total Cash Receipts	 54,865	 132,763	 187,628
Cash Disbursements:			
Current:			
General Government	53,317	1,897	55,214
Public Safety		31,739	31,739
Public Works	12,785	90,898	103,683
Health	1,317		1,317
Conservation - Recreation	5,535		5,535
Capital Outlay	498		498
Debt Service:			
Redemption of Principal		7,096	7,096
Interest and Other Fiscal Charges		1,013	1,013
 Total Cash Disbursements	 73,452	 132,643	 206,095
 Total Receipts Over/(Under) Disbursements	 (18,587)	 120	 (18,467)
Other Financing Receipts / (Disbursements):			
Other Financing Sources		4,000	4,000
 Total Other Financing Receipts / (Disbursements)	 	 4,000	 4,000
 Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	 (18,587)	 4,120	 (14,467)
 Fund Cash Balances, January 1	 27,973	 112,321	 140,294
 Fund Cash Balances, December 31	 \$9,386	 \$116,441	 \$125,827
 Reserve for Encumbrances, December 31	 \$0	 \$862	 \$862

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

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Washington Township, Brown 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, and cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Sardinia to provide fire services and Sardinia Life Squad and Rescue Unit of Brown County, a non-profit corporation, to provide ambulance services.

The Township participates in the Ohio Township Association Risk Management Authority public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), is a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members.

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

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire Levy Fund - This fund receives proceeds from a tax levy for providing Township residents with fire protection 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. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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

F. Fund Balance

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

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Township did not have any fund balances in this classification at December 31, 2011.

WASHINGTON TOWNSHIP
BROWN COUNTY

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

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

2. **Restricted**

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

3. **Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements. The Township did not have any fund balances in this classification at December 31, 2011

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. The Township did not have any fund balances in this classification at December 31, 2011.

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.

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

2. Equity in Pooled Deposits and Investments

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

Demand deposits	\$129,142	\$125,327
Certificates of deposit	500	500
Total deposits	\$129,642	\$125,827

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

3. Budgetary Activity

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

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$96,064	\$80,827	(\$15,237)
Special Revenue	119,370	126,540	7,170
Total	\$215,434	\$207,367	(\$8,067)

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$82,391	\$83,992	(\$1,601)
Special Revenue	206,675	119,560	87,115
Total	\$289,066	\$203,552	\$85,514

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,918	\$54,865	\$7,947
Special Revenue	121,920	136,763	14,843
Total	\$168,838	\$191,628	\$22,790

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

3. Budgetary Activity (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,091	\$74,754	(\$3,663)
Special Revenue	233,741	31,342	202,399
Total	\$304,832	\$106,096	\$198,736

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Retirement Systems

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

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

6. Risk Management

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

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

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

6. Risk Management (continued)

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

Casualty and Property Coverage

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

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

Financial Position

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

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

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

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

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

6. Risk Management (continued)

<u>Contributions to OTARMA</u>	
<u>2011</u>	<u>2010</u>
\$4,448	\$4,064

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

7. Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor. 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.

8. Compliance

The Township did not maintain the Trustees payroll in accordance with Ohio Rev. Code 505.24.

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Dave Yost • Auditor of State

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

Washington Township
Brown County
169 Winchester Street
Sardinia, Ohio 45171

To the Board of Trustees:

We have audited the financial statements of Washington Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated July 5, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. Furthermore, we noted that the Township implemented GASB 54 during 2011. In addition, we noted we were unable to obtain sufficient audit evidence to determine the accuracy of the financial statement disbursement function classifications reported on the financial statements except the Debt Service - Redemption of Principal and Debt Service – Interest and Other Fiscal Charges line items in the Special Revenue Fund Type. Except as noted in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-001 and 2011-002 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 5, 2012.

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



Dave Yost
Auditor of State

July 5, 2012

**WASHINGTON TOWNSHIP
BROWN COUNTY**

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

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

FINDING NUMBER 20111-001

NONCOMPLIANCE CITATION AND MATERIAL WEAKNESS

Ohio Rev. Code, §505.24(C), sets forth the method by which a township trustee's compensation should be allocated. The revised code provides that total payment for the fiscal year must be based on the cumulative actual service efforts during the fiscal year on restricted fund activity. This section is amplified by 2004 OAG Opinion 2004-036 which requires trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of service performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from the restricted funds.

We identified the following conditions related to payroll:

Trustees

Each Trustee maintained a log of activities; however, based on our test of one month's logs, we determined that the logs were incomplete and inaccurate. For example:

- On April 12, 2011 the minute records indicate that all 3 trustees were present for a regular meeting. However, Trustee Janie Wills did not document this meeting in the log of activities.
- On April 19, 2011 the minute records indicate that all 3 trustees were present for a zoning meeting; however, Trustee Matthew Latham did not document this meeting in the log of activities.
- Trustee John Corboy documented in his log of activities that he attended a regular meeting on April 26, 2011; however, the minute records do not indicate a meeting on April 26, 2011.

Additionally, we noted that the salaries paid to Trustees were not allocated based on the documentation provided by the Trustees. This resulted in the following adjustment to the financial statements. The Township posted the adjustment to their financial statements and accounting records:

Year	Fund	Line Item	Adjustment Amount
2010	General Fund 1000	General Government Expenditures	\$9,992
	Motor Vehicle License Fund 2011	Public Works Expenditures	(1,817)
	Gas Tax Fund 2021	Public Works Expenditures	(8,175)
2011	General Fund 1000	General Government Expenditures	\$8,045
	Motor Vehicle License Fund 2011	Public Works Expenditures	(1,609)
	Gas Tax Fund 2021	Public Works Expenditures	(6,436)

**FINDING NUMBER 2001-001
 (Continued)**

Employee

Ohio Revised Code, 5705.10 (H), requires that money paid into any fund shall be used only for the purposes for which such fund is established. The Township hired an hourly employee during the audit period. The Township allocated the employee pay to a restricted fund, but did not require the employee to submit timesheets for approval and document tasks completed. Without this documentation, the Township cannot ensure that restricted funds were used solely for the purposes for which the fund was established. Additionally, timesheets provide a level of control to ensure that the employee is paid for the actual hours worked. The Township posted the following adjustment to post the employee's compensation to the General Fund.

Year	Fund	Line Item	Adjustment Amount
2010	Gas Tax	Public Works	(\$5,107)
	General	Public Works	5,107
2011	Gas Tax	Public Works	(\$6,384)
	General	Public Works	6,384

Due to recently enacted changes in the Ohio Revised Code as described in Auditor of State Bulletin 2011-007, we recommend that Township Trustees paid by the annual salary method and compensated from funds other than the general fund certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund.

As described in Auditor of State Bulletin 2011-007, while the certification requirement only applies to township trustees and fiscal officers, documentation is still required where a Township compensates other township employees from funds other than the general fund. Therefore, we recommend that in order to document that employee compensation from restricted funds were used for the purpose for which that fund was established, Township employees include in their timesheets a breakdown of the hours worked and the type of services performed.

FINDING NUMBER 2001-002

MATERIAL WEAKNESS

The Township uses the Uniform Accounting Network (UAN) to process its transactions. This system provides the user with the ability to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. Additionally, the UAN system allows the user to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances. The Township did not properly utilize the UAN system and the following conditions were identified:

**FINDING NUMBER 2011-002
(Continued)**

1. Properly recording budgetary information in the financial accounting system

We identified a certain discrepancy between the Amended Certificate of Estimated Resources approved by the Brown County Budget Commission and the amount posted to the UAN financial accounting system and a discrepancy between the Board Approved Appropriation Resolution and amount posted to the UAN financial accounting system as shown in the table below:

Year	Fund	Per UAN Total Estimate Resources	Per Amended Certificate	Difference
2011	General	\$150,998	\$121,851	(\$29,147)
Year	Fund	Per UAN Appropriations	Per Appropriations Resolution	Difference
2010	General	\$74,891	\$71,091	(\$3,800)

We recommend that the Township Trustees and Fiscal Officer ensure that approved budgetary amounts are posted to the financial accounting system and financial transactions are properly posted to the UAN accounting system. A system of timely reviews of financial documentation should be implemented to insure that financial information is posted timely and accurately.

2. Properly recording disbursements

We also identified coding and/or posting errors when testing the Township's disbursements. We tested 47 non-payroll disbursements. Of the 47 non payroll disbursement transactions tested, 30 transactions (64%) were not coded properly at the "function" level and six transactions (13%) were not coded properly at the "object" level.

Of the known errors from the sample selected, for the function level misclassifications, the Township reclassified the following debt payments totaling \$19,385 for 2011 and \$8,109 for 2010 for a total of both years of \$27,494, as shown in the table below.

Year	Amount	Gas Tax Fund Coding Reported	Correct Fund Coding
2010	\$7,096	Public Works Expenditures	Debt Service Principal
	\$1,013	Public Works Expenditures	Debt Service Interest
2011	\$19,135	Public Works Expenditures	Debt Service Principal
	\$250	Public Works Expenditures	Debt Service Interest

The remainder of the known errors (\$20,155) were not reclassified and remain unadjusted. In addition, we were unable to determine proper classification of the remaining expenditures except debt service principal and debt service interest in the Gas Tax Fund. The disbursements are summarized in the following table:

	2010	%	2011	%
Disbursements:				
Debt Service Principal and Interest	\$8,109	4%	\$19,385	10%
Payroll	55,975	27%	55,637	27%
All Other	142,012	69%	128,531	63%
Total	206,096	100%	203,553	100%

**FINDING NUMBER 2011-002
(Continued)**

Due to the errors by the Township Fiscal Officer in posting disbursements at the function level, we were unable to determine the accuracy of the financial statement disbursement function classifications for all functions except debt service principal and debt service interest. The Township does not segregate payroll as a separate line item in their financial statements and while we were able to determine the specific payroll amounts paid using alternate procedures, we could not determine the proper financial statement function classification. We were unable to determine the accuracy of the remainder of the disbursements for proper function classifications for 90% and 96% of total disbursements in fiscal years 2011 and 2010 respectively.

Inaccurate financial and budgetary accounting and lack of documentation limits the Township's ability to monitor financial and budgetary transactions, increases the risk of financial statement errors, and increases the risk that errors, theft and fraud may occur and not be detected by the Township in a timely manner.

We recommend the Township Trustees implement a monitoring system to make sure that the Fiscal Officer is accurately posting approved budgetary amounts and financial transactions to the UAN system and the Township's financial statements.

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

WASHINGTON TOWNSHIP
BROWN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Illegal financing obtained for the purchase of a truck.	Yes	

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Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

BROWN 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 24, 2012