

Washington Township
Scioto County
Regular Audit
For the Years Ended December 31, 2011 and 2010



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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, 2010 through December 31, 2011. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 2, 2012

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Washington Township
Scioto County
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For the Years Ended December 31, 2011 and 2010

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Independent Auditor's Report

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP requires 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 governments to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Washington Township, Scioto County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As discussed in Note 8, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 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 purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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* and should be considered in assessing the results of our audit.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 22, 2012

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, 2011

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$56,493 | \$558,506 | \$614,999 |
| Charges for Services | 0 | 62,142 | 62,142 |
| Licenses, Permits, and Fees | 100,527 | 0 | 100,527 |
| Intergovernmental | 28,419 | 246,011 | 274,430 |
| Earnings on Investments | 4,901 | 384 | 5,285 |
| Miscellaneous | 5,026 | 10,483 | 15,509 |
| Total Cash Receipts | 195,366 | 877,526 | 1,072,892 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 118,656 | 54,721 | 173,377 |
| Public Safety | 0 | 371,124 | 371,124 |
| Public Works | 0 | 263,201 | 263,201 |
| Health | 28,288 | 0 | 28,288 |
| Capital Outlay | 0 | 263,424 | 263,424 |
| Debt Service: | | | |
| Redemption of Principal | 0 | 23,379 | 23,379 |
| Interest and Other Fiscal Charges | 0 | 3,131 | 3,131 |
| Total Cash Disbursements | 146,944 | 978,980 | 1,125,924 |
| Total Cash Receipts Over (Under) Cash Disbursements | 48,422 | (101,454) | (53,032) |
| Other Financing Sources/(Uses): | | | |
| Transfers In | 0 | 1,800 | 1,800 |
| Transfers Out | 0 | (1,800) | (1,800) |
| Total Other Financing Sources/(Uses) | 0 | 0 | 0 |
| Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Uses | 48,422 | (101,454) | (53,032) |
| Fund Cash Balances, January 1 | 97,496 | 850,008 | 947,504 |
| Fund Cash Balances, December 31: | | | |
| Restricted for: | | | |
| Road and Bridge Maintenance and Improvements | 0 | 271,922 | 271,922 |
| Fire Operations | 0 | 113,053 | 113,053 |
| Police Protection | 0 | 265,738 | 265,738 |
| Emergency Medical Services | 0 | 97,841 | 97,841 |
| Unassigned | 145,918 | 0 | 145,918 |
| Fund Cash Balances, December 31 | \$145,918 | \$748,554 | \$894,472 |

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, 2010

| | Governmental Fund Types | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|--------------------------------|
| | General | Special Revenue | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$55,202 | \$553,381 | \$608,583 |
| Charges for Services | 0 | 52,744 | 52,744 |
| Licenses, Permits, and Fees | 51,776 | 0 | 51,776 |
| Intergovernmental | 49,786 | 269,054 | 318,840 |
| Earnings on Investments | 10,888 | 488 | 11,376 |
| Miscellaneous | 2,802 | 5,434 | 8,236 |
| Total Cash Receipts | 170,454 | 881,101 | 1,051,555 |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 115,909 | 46,838 | 162,747 |
| Public Safety | 0 | 355,657 | 355,657 |
| Public Works | 0 | 271,136 | 271,136 |
| Health | 27,789 | 0 | 27,789 |
| Debt Service: | | | |
| Redemption of Principal | 0 | 22,493 | 22,493 |
| Interest and Other Fiscal Charges | 0 | 4,017 | 4,017 |
| Total Cash Disbursements | 143,698 | 700,141 | 843,839 |
| Total Cash Receipts Over (Under) Cash Disbursements | 26,756 | 180,960 | 207,716 |
| Other Financing Sources: | | | |
| Extraordinary Item | 8,233 | 0 | 8,233 |
| Sale of Fixed Assets | 0 | 1,500 | 1,500 |
| Total Other Financing Sources | 8,233 | 1,500 | 9,733 |
| Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements | 34,989 | 182,460 | 217,449 |
| Fund Cash Balances, January 1 | 62,507 | 667,548 | 730,055 |
| Fund Cash Balances, December 31 | \$97,496 | \$850,008 | \$947,504 |

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, 2011 and 2010

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, 2011 and 2010

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.

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 2011 and 2010 budgetary activity appears in Note 3.

Fund Balances

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 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, 2011 and 2010

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.

Extraordinary Items

Extraordinary items are items that are infrequent, unusual in nature and outside of the control of management. The Township had insurance proceeds in 2010 that were a result of an extraordinary item.

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:

| | | |
|-----------------|-----------|-----------|
| | 2011 | 2010 |
| Demand Deposits | \$894,472 | \$947,504 |

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, 2011 and 2010

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2011 follows:

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|--------------------|--------------------|-------------------|
| General | \$194,994 | \$195,366 | \$372 |
| Special Revenue | 911,749 | 879,326 | (32,423) |
| Total | \$1,106,743 | \$1,074,692 | (\$32,051) |

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|-------------------------|------------------------|------------------|
| General | \$250,350 | \$146,944 | \$103,406 |
| Special Revenue | 1,654,200 | 980,780 | 673,420 |
| Total | \$1,904,550 | \$1,127,724 | \$776,826 |

Budgetary activity for the year ending December 31, 2010 follows:

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|--------------------|--------------------|-------------------|
| General | \$187,672 | \$178,687 | (\$8,985) |
| Special Revenue | 940,515 | 882,601 | (57,914) |
| Total | \$1,128,187 | \$1,061,288 | (\$66,899) |

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|-------------------------|------------------------|--------------------|
| General | \$0 | \$143,698 | (\$143,698) |
| Special Revenue | 0 | 700,141 | (700,141) |
| Total | \$0 | \$843,839 | (\$843,839) |

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.

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.

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, 2011 and 2010

Note 5 – Debt

Debt outstanding at December 31, 2011 was as follows:

| | Principal | Interest Rate |
|------------------------|-----------|------------------|
| Fire/Rescue Truck Note | \$62,554 | 3.85% |

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.

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

| Year Ending December 31: | Fire/Rescue Truck Note |
|-----------------------------|---------------------------|
| 2012 | \$26,510 |
| 2013 | 26,510 |
| 2014 | 13,255 |
| Total | <u>\$66,275</u> |

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 2011 and 2010, 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, 2011.

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.

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township contracted with 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members’ deductibles.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 – Risk Management (Continued)

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|-------------|---------------------|---------------------|
| Assets | \$35,086,165 | \$35,855,252 |
| Liabilities | <u>(9,718,792)</u> | <u>(10,664,724)</u> |
| Net Assets | <u>\$25,367,373</u> | <u>\$25,190,528</u> |

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims is approximately \$58,578.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2011 and 2010

Note 7 – Risk Management (Continued)

Based on discussions with OTARMA the expected rates charged by OTARMA 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 liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$29,289 and \$24,649, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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 – Change in Accounting Principles

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions", which the Township has implemented for the year ended December 31, 2011. This pronouncement does not affect the calculation of the Township's fund balance but does shift the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in funds can be spent (See Note 1). Fund balances have been classified in the financial statements, as applicable, for the year ended December 31, 2011 in accordance with this pronouncement. This pronouncement also requires that certain funds previously reported as Special Revenue Funds be reclassified to the General Fund. The Township has no funds that required fund reclassification.

Note 9 – 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 did not file its appropriation measure with the County Auditor, which is contrary to Ohio Revised Code Section 5705.38.

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

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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*

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

We have audited the financial statements of Washington Township, Scioto County, (the Township) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated June 22, 2012, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We also noted, for the year ended December 31, 2011, the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Township is responsible for establishing and maintaining effective 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 auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, which are described in the accompanying schedule of findings and responses as items 2011-1 and 2011-2.

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 item 2011-3, 2011-4 and 2011-5.

We noted certain matters that we reported to management of the Township in a separate letter dated June 22, 2012.

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

This report is intended solely for the information and use of management, the Board of Trustees, and others within the Township, and is not intended to be and should not be used by anyone other than these specified parties.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

June 22, 2012

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

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

FINDING NUMBER 2011-1

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 2010 and 2011 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:

Client chose not to respond.

FINDING NUMBER 2011-2

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 estimated resources and appropriations are authorized by the governing board. Appropriations and subsequent amendments to the budget at the fund level should be filed with the County Auditor. For 2010, the Township did not file its appropriation resolution with the County Auditor. At the end of 2011 and 2010, the Trustees approved amendments to estimated resources and appropriations to align the budget with actual figures. These amendments were recorded within the accounting record but were not filed with the County Auditor. Appropriations and budgetary amendments must be filed with the County Auditor to become effective. As the 2010 appropriation resolution and 2011 and 2010 amendments were not filed as required, by law, these amendments were not valid. We recommend that the Township implement the appropriate procedures to ensure that all authorized budgetary documents are properly filed with the County Auditor.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-3

Noncompliance Citation – Annual Appropriation Measure

Ohio Revised Code 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. Ohio Revised Code Section 5705.39 states that no appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Annual appropriation measure for 2010 was not filed with the county and was filed on May 17, 2011 for 2011 which is not by the April 1 deadline. No temporary measures were passed. The Township should implement the appropriate procedures to ensure that annual appropriation measures are passed timely and subsequently filed with the county in a timely fashion.

Client Response:

Client chose not to respond.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-4

Noncompliance Citation – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it is appropriated. The Township had expenditures in excess of appropriations at the legal level of control in 2010 as there was no effective appropriation measure since the appropriation resolution was not filed with the County Auditor. The Township also had expenditures in excess of appropriations at the legal level of control in 2011 until the appropriation measure was passed and filed with the County Auditor on May 17, 2011. Failure to properly monitor budgetary information subjects the Township to the risk of spending in excess of authorized limits. The Township should implement additional monitoring procedures to ensure the expenditures are within authorized appropriations.

Client Response:

Client chose not to respond.

FINDING NUMBER 2011-5

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.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2011 and 2010

FINDING NUMBER 2011-5 (Continued)

Noncompliance Citation - Prior Encumbrance of Funds (Continued)

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 2011 and 2010 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.

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:

Client chose not to respond.

Washington Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended 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> |
|----------------|--|------------------|--|
| Finding 2009-1 | Material Weakness – Financial Reporting | No | Reissued as Finding 2011-1 |
| Finding 2009-2 | Material Weakness – Budgetary Information Within UAN | No | Reissued as Finding 2011-2 |
| Finding 2009-3 | Noncompliance Citation – ORC Section 5705.41(D) | No | Reissued as Finding 2011-5 |
| Finding 2009-4 | Noncompliance Citation - ORC Section 5705.39 | Yes | |
| Finding 2009-5 | Noncompliance Citation – ORC Section 5705.36(A)(2) | No | Reissued in management letter |



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 16, 2012