

**WASHINGTON TOWNSHIP
MONTGOMERY COUNTY
Regular Audit
For the Year Ended December 31, 2013**

Perry and Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Board of Trustees
Washington Township
8200 Mcewen Road
Dayton, Ohio 45458

We have reviewed the *Independent Auditor's Report* of Washington Township, Montgomery County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

June 23, 2014

This page intentionally left blank.

**Washington Township
Montgomery County**

Table of Contents

Title	Page
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	12
Statement of Activities – Modified Cash Basis	13
Fund Financial Statements:	
Statement of Assets and Fund Balances – Modified Cash Basis Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Modified Cash Basis	15
Statement of Receipts, Disbursements and Changes in Fund Balances – Modified Cash Basis - Governmental Funds	16
Reconciliation of Statement of Receipts, Disbursements and Changes in Fund Balances – Governmental Funds to the Statement of Activities – Modified Cash Basis	17
Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual - Budget Basis:	
General Fund	18
Road and Bridge Fund	19
Police Fund	20
Fire Fund	21
Statement of Fund Net Position – Modified Cash Basis Proprietary Funds	22
Statement of Cash Receipts, Disbursements and Changes in Fund Net Position – Modified Cash Basis - Proprietary Funds	23
Statement of Fiduciary Net Position – Modified Cash Basis Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position – Modified Cash Basis Fiduciary Funds	25

**Washington Township
Montgomery County**

Table of Contents – (continued)

Title	Page
Notes to the Basic Financial Statements.....	26
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA

428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

INDEPENDENT AUDITOR'S REPORT

May 9, 2014

Washington Township, Montgomery County
8200 McEwen Road
Dayton, Ohio 45458

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Washington Township**, Montgomery County, Ohio (the Township), as of and for the year ended December 31, 2013 and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2.C. describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Township, Montgomery County, Ohio, as of December 31, 2013, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Road and Bridge, Police and Fire Funds, thereof for the year then ended in accordance with the accounting basis described in Note 2.C.

Accounting Basis

We draw attention to Note 2.C. of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Township's financial statements that collectively comprise its basic financial statements. *Management's Discussion & Analysis* includes tables of net position, changes in net position and governmental activities. These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



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

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

This discussion and analysis of Washington Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2013, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2013 are as follows:

Net position of Township activities decreased \$184,158 from the prior year. The fund most affected by this decrease in net position was the Road and Bridge Fund. The Road and Bridge Fund decreased its net position by \$1,259,573. This decrease is due mainly to an increase in street maintenance repairs performed and capital purchases made in 2013 and payments made in 2013 for street maintenance repairs performed in 2012. In 2013, street maintenance projects and repair payments increased \$1,464,500 over 2012 payments. The decrease in net position in the Road and Bridge Fund was offset mainly by increases in the General and Fire Fund's net position. These increases were \$440,117 and \$411,197 respectively. Even though the General Fund's receipts decreased by \$336,471 and disbursements increased by \$39,077 from 2012, the funds net position increased due to the fact that receipts were greater than expenditures in 2013. This increase in net position is related mainly to estate tax receipts being \$812,644 over budget. The Fire Funds increase in net position is due mainly to a \$300,000 federal grant received in February 2013 for the purchase of a new rescue engine. Other funds having a net position increase were the Police Fund (\$141,238) and the Recreation Fund (\$97,578).

The Township's general receipts are primarily property taxes. In 2013 the Township received \$15,631,799 in property and other local taxes. These receipts represent 63 percent of the total cash received for Township activities during the year. Compared to 2012, property tax receipts for 2013 increased by \$437,519 or 2.88 percent.

The Recreation Center, the Township's lone business-type activity, showed a \$97,578 gain or a 10.60 percent increase in net position. This increase was achieved by receiving more program and general receipts than expenses for 2013.

The Township has a contract with GovDeals, Incorporated to dispose of surplus items via internet auctions. The total received in 2013 for auction sales was \$63,929. This is a \$34,259 increase over the previous year.

In July 2012, the Township entered into an agreement with Med3000 to begin billing the Township a service fee of five percent of net revenue collected. Prior to July 1, 2012, the service fee was six percent of net revenue collected. In 2013, the Township saved \$12,289 by signing this agreement.

In May 2013 the Township passed a 5-year 4.65 mill Fire levy and a 5-year 0.70 mill Recreation levy. The Fire levy replaced an expiring 3.00 mill levy and the Recreation levy replaced an expiring 0.70 levy.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

In December 2012, the Township approved a three percent hotel lodging tax effective March 1, 2013. There are currently five hotels within the Township. Total received in 2013 from the hotel tax was \$144,904. It is estimated that in 2014, the first full year the tax will be implemented, the Township will receive \$160,000.

Ohio tax law changes from the 2011 State bi-annual budget have had significant revenue implications for the Township. The State budget eliminated the tangible personal property and public utility deregulation reimbursements that were on track to be gradually eliminated by 2018. The local government fund was cut in half and the estate tax was eliminated effective January 1, 2013. By the end of 2018, the cumulative impact of the cuts will reach \$11.6 million.

The Township's tax base for 2013 decreased to \$1,649,665,730, which is a decrease of 0.85 percent over 2012.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose or fund. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Reporting the Township as a Whole

The statement of net position and the statement of activities reflect how well the Township financially performed during 2013, within the limitations of modified cash basis accounting. The statement of net position presents the pooled cash and investment balances of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each Township program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each Township function or business-type activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, we divide the Township into two types of activities:

Governmental activities. Most of the Township's basic services are reported here, including general government, police, fire, and public works. Property taxes and intergovernmental receipts finance most of these activities. Benefits provided through Township activities are not necessarily paid for by the people receiving them.

Business-type activity. The Township has one business-type activity, the Recreation Department. Business-type activities are financed by a fee charged to the customers receiving the service and by property taxes.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money, that is restricted as to how it may be used, is being spent for the intended purpose. The funds of the Township are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be used to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Township's major funds are the General Fund, Road & Bridge Fund, Police Fund and Fire Fund. The Fire Fund services residents of the unincorporated Township as well as the City of Centerville. Therefore, both residents pay for the fire levies that support the fire fund. The Road & Bridge Fund and the Police Fund services residents of the unincorporated Township only. Only Township residents pay for the levies that support the Road & Bridge and Police Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Township has one enterprise fund, the Recreation Department. Residents of both the unincorporated Township and City of Centerville pay for the recreation levy. When the services are provided to other departments of the Township, the service is reported as an internal service fund. The Township has one internal service fund, vehicle maintenance, to account for maintenance and repair of all Township vehicles and for some maintenance and repairs to Township buildings.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the Township-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has two fiduciary funds, a cemetery bequest fund for the decoration of four graves in the Centerville Cemetery that is maintained by the Township and an agency fund for a flexible benefit account for full time Township employees.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net position for 2013 compared to 2012 on a modified cash basis:

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Cash and Cash Equivalents	\$ 10,190,054	\$ 13,793,226	\$ 1,017,858	\$ 920,280	\$ 11,207,912	\$ 14,713,506
Investments	17,991,571	14,670,135	-	-	17,991,571	14,670,135
Total Assets	\$ 28,181,625	\$ 28,463,361	\$ 1,017,858	\$ 920,280	\$ 29,199,483	\$ 29,383,641
Net Position						
Restricted for:						
Special Revenue	17,113,537	17,829,437	-	-	17,113,537	17,829,437
Recreation	-	-	1,017,858	920,280	1,017,858	920,280
Unrestricted	11,068,088	10,633,924	-	-	11,068,088	10,633,924
Total Net Position	\$ 28,181,625	\$ 28,463,361	\$ 1,017,858	\$ 920,280	\$ 29,199,483	\$ 29,383,641

As mentioned previously, net position of Township's activities decreased \$184,158 or .63 percent during 2013. The primary reasons contributing to the overall decrease in cash balances are as follows:

- The Road & Bridge Fund's net position decreased \$1,259,573 due mainly to an increase in street maintenance repairs performed and capital purchases made in 2013 and payments made in 2013 for street maintenance repairs performed in 2012.
- The General Fund's net position increased due to the fact that receipts were greater than expenditures in 2013 even though revenue was less and expenditures were greater than the previous year. This increase of \$440,117 in net position is mainly related to estate tax receipts being \$812,644 over budget.
- The Fire Funds net position increased \$411,197 due mainly to receiving a \$300,000 federal grant in February 2013 for the purchase of a new rescue engine.

Table 2 reflects the changes in net position on a modified cash basis for 2013 and 2012 for governmental activities, business type activities and total primary government.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

(Table 2)
Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Receipts:						
Program Receipts:						
Charges for Services and Sales	\$ 1,798,981	\$ 1,993,693	\$ 1,342,676	\$ 1,412,419	\$ 3,141,657	\$ 3,406,112
Operating Grants and Contributions	3,586,713	2,442,037	185,253	158,494	3,771,966	2,600,531
Total Program Receipts	5,385,694	4,435,730	1,527,929	1,570,913	6,913,623	6,006,643
General Receipts:						
Property and Other Local Taxes	14,623,272	14,199,495	1,008,527	994,785	15,631,799	15,194,280
Grants and Entitlements Not Restricted to Specific Programs	1,484,588	2,007,269	-	-	1,484,588	2,007,269
Sale of Capital Assets	63,798	28,571	131	1,100	63,929	29,671
Interest	83,625	93,363	-	-	83,625	93,363
Miscellaneous	188,962	169,908	118,992	129,045	307,954	298,953
Total General Receipts	16,444,245	16,498,606	1,127,650	1,124,930	17,571,895	17,623,536
Total Receipts	21,829,939	20,934,336	2,655,579	2,695,843	24,485,518	23,630,179
Disbursements:						
General Government	1,584,729	1,826,133	-	-	1,584,729	1,826,133
Police	3,864,380	3,864,464	-	-	3,864,380	3,864,464
Fire	7,718,789	7,381,388	-	-	7,718,789	7,381,388
Public Works	4,436,373	2,602,166	-	-	4,436,373	2,602,166
Health	188,946	200,982	-	-	188,946	200,982
Conservation Recreation	201,424	201,926	-	-	201,424	201,926
Capital Outlay	3,565,512	1,863,424	-	-	3,565,512	1,863,424
Principal Retirement	530,000	530,000	-	-	530,000	530,000
Interest and Fiscal Charges	21,522	45,182	-	-	21,522	45,182
Recreation Center	-	-	2,558,001	2,404,746	2,558,001	2,404,746
Total Disbursements	22,111,675	18,515,665	2,558,001	2,404,746	24,669,676	20,920,411
Increase (Decrease) in Net Position	(281,736)	2,418,671	97,578	291,097	(184,158)	2,709,768
Net Position, January 1	28,463,361	26,044,690	920,280	629,183	29,383,641	26,673,873
Net Position, December 31	\$ 28,181,625	\$ 28,463,361	\$ 1,017,858	\$ 920,280	\$ 29,199,483	\$ 29,383,641

Program receipts represent only 25 percent of total governmental activities' receipts and are primarily comprised of restricted intergovernmental receipts, such as motor vehicle license, permissive and gas tax money; building permits and inspection fees; EMS receipts for medic transports; and rollback and homestead exemption dollars received from the State for the Road and Bridge, Police, and Fire funds.

Program receipts for business-type activities equals 58 percent of the total business activity receipts and represents receipts collected at the Recreation Center for memberships, participation programs or classes, walk-in fees and rollback and homestead exemption dollars received from the State for the Recreation Fund.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

General receipts represent 75 percent of the total governmental activities receipts and 42 percent of the business-type activities total receipts. Of these amounts, 89 percent represent property taxes for the governmental activities and 89 percent represent property taxes for the business-type activities. For the remainder of the governmental activities, the majority of general receipts include inheritance tax, franchise fees, interest, and local government funds, which are in the general fund and received from the State of Ohio.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for other Township activities. These include the costs of the Board of Trustees, Fiscal Officer, administration department, finance department, zoning department, human resources department and the internal service fund. We try to limit these costs since they do not represent direct services to residents.

Police and Fire are the costs for providing these services; Public Works is the cost of maintaining roads; Health is the cost of running and maintaining six cemeteries; Conservation-Recreation is the support cost the Administration, Finance and Human Resource Departments provide to the Recreation Center; and Capital Outlay includes payments made in 2013 for street and sidewalk construction, Improvement of sites (building and parking lots), the purchase of new vehicles and equipment, protective fire clothing, new office, machinery and communication equipment, firefighting equipment, computer hardware and software and a new roof at the Recreation Center. Principal Retirement includes the semi-annual payments on the notes issued for the building of two fire stations and a training tower and the Sterling Cove road project. The Sterling Cove road project is assessed to the property owners through their property taxes.

Governmental Activities

If you look at the Statement of Activities (page 13), you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The four largest program disbursements for governmental activities are for Fire, Public Works and Police services along with Capital Outlay, which account for 35, 20, 18 and 16 percent of all governmental disbursements, respectively. The General Government disbursements also represented a significant cost at about 7 percent. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3 below.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

(Table 3)

	Governmental Activities			
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
General Government	\$ 1,584,729	\$ 1,175,262	\$ 1,826,133	\$ 1,434,924
Police	3,864,380	3,207,312	3,864,464	3,267,225
Fire	7,718,789	5,204,525	7,381,388	5,032,162
Public Works	4,436,373	2,648,378	2,602,166	1,525,060
Health	188,946	172,046	200,982	180,032
Conservation-Recreation	201,424	201,424	201,926	201,926
Capital Outlay	3,565,512	3,565,512	1,863,424	1,863,424
Principal Retirement	530,000	530,000	530,000	530,000
Interest and Fiscal Charges	21,522	21,522	45,182	45,182
Total Expenses	\$ 22,111,675	\$ 16,725,981	\$ 18,515,665	\$ 14,079,935

The dependence upon property tax receipts is apparent as 76 percent of Township government activities are supported through general receipts.

Business-type Activities

The Recreation Center operation of the Township routinely reports receipts and cash disbursements that are relatively equal. For the Recreation Center, 60 percent of these activities are covered by program receipts while 40 percent are covered by general receipts.

Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds are the General, Road and Bridge, Police and Fire funds.

During 2013, the Township amended its budget for the General, Road & Bridge, Police, Fire and Recreation funds, among others, to be in line with the Amended Certificate of Resources. Final budgeted receipts were below original budgeted receipts due to a decrease in estimated property tax revenue. The County only certifies 95% of the property tax they estimate the Township will receive. Actual receipts for the General, Road and Bridge, Police, and Fire funds were \$2,223,885 over final budgeted receipts or 12 percent.

Final disbursements for the four major funds were budgeted at \$45,623,065 while actual disbursements, including encumbrances, were \$22,432,227.

Washington Township, Montgomery County
Management's Discussion and Analysis
For the Year Ended December 31, 2013
Unaudited

Debt Administration

Debt

At December 31, 2013, the Township's outstanding debt includes \$210,000 in Ohio Capital Asset Bonds for the Sterling Cove Road Project. For further information regarding the Township's debt, refer to Note 9 of the basic financial statements.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited and, in some cases, shrinking funding. We rely heavily on property taxes, so it is imperative that we continue to enhance our property tax base while maintaining an attractive mix of residential, commercial and green space property. The Township is primarily a residential community. The Townships tax base decreased by 0.85 percent in 2013.

In March 2013 the Township began collecting a 3% hotel lodging excise tax. For 2013, the Township received \$144,904. The Township is estimating that it will receive \$160,000 in 2014 and \$170,000 a year, years 2015 through 2018.

The Township approved a motion on December 16, 2013 to purchase new financial software to replace our existing financial software along with a new human resource module and applicant tracking. The new software is expected to be in place by the end of 2014.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Michael A. Barlow, Finance Director, Washington Township, 8200 McEwen Road, Dayton, OH 45458.

Washington Township, Montgomery County

Statement of Net Position - Modified Cash Basis

December 31, 2013

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 10,190,054	\$ 1,017,858	\$ 11,207,912
Investments	17,991,571	-	17,991,571
<i>Total Assets</i>	<u>28,181,625</u>	<u>1,017,858</u>	<u>29,199,483</u>
Net Position			
Restricted for:			
Road & Bridge Projects	9,073,841	-	9,073,841
Police	1,812,567	-	1,812,567
Fire	5,252,058	-	5,252,058
Other Programs	975,071	-	975,071
Recreation	-	1,017,858	1,017,858
Unrestricted	11,068,088	-	11,068,088
<i>Total Net Position</i>	<u>\$ 28,181,625</u>	<u>\$ 1,017,858</u>	<u>\$ 29,199,483</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2013

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
General Government	\$ 1,584,729	\$ 409,467	\$ -	\$ (1,175,262)	\$ -	\$ (1,175,262)
Police	3,864,380	55,159	601,909	(3,207,312)	-	(3,207,312)
Fire	7,718,789	1,229,957	1,284,307	(5,204,525)	-	(5,204,525)
Public Works	4,436,373	87,498	1,700,497	(2,648,378)	-	(2,648,378)
Health	188,946	16,900	-	(172,046)	-	(172,046)
Conservation-Recreation	201,424	-	-	(201,424)	-	(201,424)
Capital Outlay	3,565,512	-	-	(3,565,512)	-	(3,565,512)
Debt Service	551,522	-	-	(551,522)	-	(551,522)
<i>Total Governmental Activities</i>	<u>22,111,675</u>	<u>1,798,981</u>	<u>3,586,713</u>	<u>(16,725,981)</u>	<u>-</u>	<u>(16,725,981)</u>
Business Type Activity						
Recreation Center	2,558,001	1,342,676	185,253	-	(1,030,072)	(1,030,072)
Total	<u>\$ 24,669,676</u>	<u>\$ 3,141,657</u>	<u>\$ 3,771,966</u>	<u>\$ (16,725,981)</u>	<u>(1,030,072)</u>	<u>(17,756,053)</u>
General Receipts						
Property and Other Local Taxes Levied for:						
General Purposes				1,153,431	-	1,153,431
Road & Bridge				3,743,862	-	3,743,862
Police				3,521,098	-	3,521,098
Fire				6,204,881	-	6,204,881
Recreation				-	1,008,527	1,008,527
Grants and Entitlements not Restricted to Specific Programs				1,484,588	-	1,484,588
Sale of Capital Assets				63,798	131	63,929
Interest				83,625	-	83,625
Miscellaneous				188,962	118,992	307,954
<i>Total General Receipts</i>				<u>16,444,245</u>	<u>1,127,650</u>	<u>17,571,895</u>
Change in Net Position				(281,736)	97,578	(184,158)
<i>Net Position Beginning of Year</i>				<u>28,463,361</u>	<u>920,280</u>	<u>29,383,641</u>
<i>Net Position End of Year</i>				<u>\$ 28,181,625</u>	<u>\$ 1,017,858</u>	<u>\$ 29,199,483</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
December 31, 2013

	General	Road & Bridge Fund	Police Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 3,961,772	\$ 3,267,391	\$ 652,685	\$ 1,891,208	\$ 351,112	\$ 10,124,168
Investments	7,040,430	5,806,450	1,159,882	3,360,850	623,959	17,991,571
<i>Total Assets</i>	<u>11,002,202</u>	<u>9,073,841</u>	<u>1,812,567</u>	<u>5,252,058</u>	<u>975,071</u>	<u>28,115,739</u>
Fund Balances						
Nonspendable	-	-	-	-	35,900	35,900
Restricted	-	-	1,812,567	5,252,058	918,239	7,982,864
Committed	-	9,073,841	-	-	20,932	9,094,773
Assigned	237,428	-	-	-	-	237,428
Unassigned	10,764,774	-	-	-	-	10,764,774
<i>Total Fund Balances</i>	<u>\$ 11,002,202</u>	<u>\$ 9,073,841</u>	<u>\$ 1,812,567</u>	<u>\$ 5,252,058</u>	<u>\$ 975,071</u>	<u>\$ 28,115,739</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Modified Cash Basis
December 31, 2013*

Total Governmental Fund Balances	\$ 28,115,739
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>	
Governmental activities' net position includes the internal service funds' cash and cash equivalents. The proprietary funds statement includes these assets.	<u>65,886</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$ 28,181,625</u></u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 For the Year Ended December 31, 2013

	General	Road & Bridge Fund	Police Fund	Fire Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 1,153,431	\$ 3,743,862	\$ 3,521,098	\$ 6,204,881	\$ -	\$ 14,623,272
Charges for Services	8,369	-	-	1,228,901	-	1,237,270
Licenses, Permits and Fees	384,602	1,334	-	1,056	16,900	403,892
Fines and Forfeitures	55,159	-	-	-	-	55,159
Intergovernmental	1,484,588	555,644	601,909	1,284,307	1,137,716	5,064,164
Special Assessments	16,496	-	-	-	86,164	102,660
Interest	83,625	-	-	-	7,137	90,762
Other	63,063	90,447	215	20,214	15,024	188,963
<i>Total Receipts</i>	<u>3,249,333</u>	<u>4,391,287</u>	<u>4,123,222</u>	<u>8,739,359</u>	<u>1,262,941</u>	<u>21,766,142</u>
Disbursements						
Current:						
General Government	1,584,729	-	-	-	-	1,584,729
Police	15,565	-	3,848,815	-	-	3,864,380
Fire	262,204	-	-	7,453,608	-	7,715,812
Public Works	47,262	3,980,064	-	-	406,070	4,433,396
Health	159,119	-	-	-	29,827	188,946
Conservation-Recreation	201,424	-	-	-	-	201,424
Capital Outlay	547,761	1,700,091	144,277	379,822	793,562	3,565,513
Debt Service:						
Principal Retirement	-	-	-	500,000	30,000	530,000
Interest and Fiscal Charges	-	-	-	9,151	12,371	21,522
<i>Total Disbursements</i>	<u>2,818,064</u>	<u>5,680,155</u>	<u>3,993,092</u>	<u>8,342,581</u>	<u>1,271,830</u>	<u>22,105,722</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>431,269</u>	<u>(1,288,868)</u>	<u>130,130</u>	<u>396,778</u>	<u>(8,889)</u>	<u>(339,580)</u>
Other Financing Sources (Uses)						
Sale of Capital Assets	8,848	29,295	11,108	14,419	128	63,798
<i>Total Other Financing Sources (Uses)</i>	<u>8,848</u>	<u>29,295</u>	<u>11,108</u>	<u>14,419</u>	<u>128</u>	<u>63,798</u>
<i>Net Change in Fund Balances</i>	440,117	(1,259,573)	141,238	411,197	(8,761)	(275,782)
<i>Fund Balances Beginning of Year</i>	<u>10,562,085</u>	<u>10,333,414</u>	<u>1,671,329</u>	<u>4,840,861</u>	<u>983,832</u>	<u>28,391,521</u>
<i>Fund Balances End of Year</i>	<u>\$ 11,002,202</u>	<u>\$ 9,073,841</u>	<u>\$ 1,812,567</u>	<u>\$ 5,252,058</u>	<u>\$ 975,071</u>	<u>\$ 28,115,739</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Reconciliation of Statement of Receipts, Disbursements and Changes
in Fund Balances - Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2013*

Net Change in Fund Balances - Total Governmental Funds \$ (275,782)

*Amounts reported for governmental activities in the
statement of activities are different because*

Internal service funds charge repair and maintenance costs to other funds.
The entity-wide statements eliminate governmental fund expenditures
and related internal service fund charges. Governmental activities
report allocated net internal service fund revenues (expenses). (5,954)

Change in Net Position of Governmental Activities \$ (281,736)

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund
 For the Year Ended December 31, 2013*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,099,262	\$ 1,031,464	\$ 1,153,431	\$ 121,967
Charges for Services	10,000	10,000	8,369	(1,631)
Licenses, Permits and Fees	363,500	363,500	384,602	21,102
Fines and Forfeitures	45,000	45,000	55,159	10,159
Intergovernmental	633,473	633,473	1,484,588	851,115
Special Assessments	500	500	16,496	15,996
Interest	90,000	90,000	83,625	(6,375)
Other	65,945	65,945	63,063	(2,882)
<i>Total receipts</i>	<u>2,307,680</u>	<u>2,239,882</u>	<u>3,249,333</u>	<u>1,009,451</u>
Disbursements				
Current:				
General Government	10,920,617	10,711,107	1,695,805	9,015,302
Police	23,550	23,600	15,565	8,035
Fire	269,050	275,550	262,206	13,344
Public Works	54,439	54,439	47,447	6,992
Health	159,100	164,050	159,120	4,930
Conservation-Recreation	230,850	226,350	202,875	23,475
Capital Outlay	1,232,620	1,347,971	672,473	675,498
<i>Total Disbursements</i>	<u>12,890,226</u>	<u>12,803,067</u>	<u>3,055,491</u>	<u>9,747,576</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,582,546)</u>	<u>(10,563,185)</u>	<u>193,842</u>	<u>10,757,027</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	1,100	1,100	8,848	7,748
<i>Total Other Financing Sources (Uses)</i>	<u>1,100</u>	<u>1,100</u>	<u>8,848</u>	<u>7,748</u>
<i>Net Change in Fund Balance</i>	(10,581,446)	(10,562,085)	202,690	10,764,775
<i>Fund Balance Beginning of Year</i>	10,450,039	10,450,039	10,450,039	
Prior Year Encumbrances Appropriated	112,046	112,046	112,046	
<i>Fund Balance End of Year</i>	<u>\$ (19,361)</u>	<u>\$ -</u>	<u>\$ 10,764,775</u>	<u>\$ 10,764,775</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Road & Bridge Fund
 For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 3,772,736	\$ 3,552,420	\$ 3,743,862	\$ 191,442
Licenses, Permits and Fees	2,300	2,300	1,334	(966)
Intergovernmental	523,953	523,953	555,644	31,691
Other	15,000	15,000	90,447	75,447
<i>Total receipts</i>	<u>4,313,989</u>	<u>4,093,673</u>	<u>4,391,287</u>	<u>297,614</u>
Disbursements				
Current:				
Public Works	5,182,358	5,374,158	4,424,429	949,729
Capital Outlay	9,428,461	9,016,345	1,950,583	7,065,762
<i>Total Disbursements</i>	<u>14,610,819</u>	<u>14,390,503</u>	<u>6,375,012</u>	<u>8,015,491</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,296,830)</u>	<u>(10,296,830)</u>	<u>(1,983,725)</u>	<u>8,313,105</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	5,000	5,000	29,295	24,295
<i>Total Other Financing Sources (Uses)</i>	<u>5,000</u>	<u>5,000</u>	<u>29,295</u>	<u>24,295</u>
<i>Net Change in Fund Balance</i>	(10,291,830)	(10,291,830)	(1,954,430)	8,337,400
<i>Fund Balance Beginning of Year</i>	8,166,599	8,166,599	8,166,599	
Prior Year Encumbrances Appropriated	<u>2,166,815</u>	<u>2,166,815</u>	<u>2,166,815</u>	
<i>Fund Balance End of Year</i>	<u>\$ 41,584</u>	<u>\$ 41,584</u>	<u>\$ 8,378,984</u>	<u>\$ 8,337,400</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Police Fund
 For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 3,526,168	\$ 3,334,583	\$ 3,521,098	\$ 186,515
Licenses, Permits and Fees	400	400	-	(400)
Intergovernmental	617,182	617,182	601,909	(15,273)
Other	100	100	215	115
<i>Total receipts</i>	<u>4,143,850</u>	<u>3,952,265</u>	<u>4,123,222</u>	<u>170,957</u>
Disbursements				
Current:				
Police	4,820,458	4,841,908	3,856,986	984,922
Capital Outlay	970,266	757,231	144,355	612,876
<i>Total Disbursements</i>	<u>5,790,724</u>	<u>5,599,139</u>	<u>4,001,341</u>	<u>1,597,798</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,646,874)</u>	<u>(1,646,874)</u>	<u>121,881</u>	<u>1,768,755</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	14,600	14,600	11,108	(3,492)
<i>Total Other Financing Sources (Uses)</i>	<u>14,600</u>	<u>14,600</u>	<u>11,108</u>	<u>(3,492)</u>
<i>Net Change in Fund Balance</i>	(1,632,274)	(1,632,274)	132,989	1,765,263
<i>Fund Balance Beginning of Year</i>	1,664,201	1,664,201	1,664,201	
Prior Year Encumbrances Appropriated	7,128	7,128	7,128	
<i>Fund Balance End of Year</i>	<u>\$ 39,055</u>	<u>\$ 39,055</u>	<u>\$ 1,804,318</u>	<u>\$ 1,765,263</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire Fund
For the Year Ended December 31, 2013*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Final Budget Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 6,279,479	\$ 5,834,835	\$ 6,204,881	\$ 370,046
Charges for Services	1,220,000	1,220,000	1,228,901	8,901
Licenses, Permits and Fees	500	500	1,056	556
Intergovernmental	914,161	914,161	1,284,307	370,146
Other	14,000	14,000	20,214	6,214
<i>Total receipts</i>	<u>8,428,140</u>	<u>7,983,496</u>	<u>8,739,359</u>	<u>755,863</u>
Disbursements				
Current:				
Fire	8,560,693	8,791,793	7,572,128	1,219,665
Capital Outlay	4,368,264	3,524,764	919,105	2,605,659
Debt Service:				
Principal Retirement	500,000	500,000	500,000	-
Interest and Fiscal Charges	13,800	13,800	9,150	4,650
<i>Total Disbursements</i>	<u>13,442,757</u>	<u>12,830,357</u>	<u>9,000,383</u>	<u>3,829,974</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,014,617)</u>	<u>(4,846,861)</u>	<u>(261,024)</u>	<u>4,585,837</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	6,000	6,000	14,419	8,419
<i>Total Other Financing Sources (Uses)</i>	<u>6,000</u>	<u>6,000</u>	<u>14,419</u>	<u>8,419</u>
<i>Net Change in Fund Balance</i>	(5,008,617)	(4,840,861)	(246,605)	4,594,256
<i>Fund Balance Beginning of Year</i>	4,761,005	4,761,005	4,761,005	
Prior Year Encumbrances Appropriated	79,856	79,856	79,856	
<i>Fund Balance End of Year</i>	<u>\$ (167,756)</u>	<u>\$ -</u>	<u>\$ 4,594,256</u>	<u>\$ 4,594,256</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Fund Net Position - Modified Cash Basis
Proprietary Funds
December 31, 2013

	Business-Type Activities		Governmental
	Recreation	Total	Activity
	Enterprise Fund	Enterprise Fund	Internal Service
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,017,858	\$ 1,017,858	\$ 65,886
<i>Total Assets</i>	<u>1,017,858</u>	<u>1,017,858</u>	<u>65,886</u>
Net Position			
Restricted for:			
Recreation	1,017,858	1,017,858	-
Unrestricted	-	-	65,886
<i>Total Net Position</i>	<u>\$ 1,017,858</u>	<u>\$ 1,017,858</u>	<u>\$ 65,886</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County

Statement of Receipts, Disbursements and Changes in Fund Net Position - Modified Cash Basis

Proprietary Funds

For the Year Ended December 31, 2013

	Business-Type Activities		Governmental
	Recreation	Total	Activity
	Enterprise Fund	Enterprise Fund	Internal Service
Operating Receipts			
Charges for Services	\$ 1,342,676	\$ 1,342,676	\$ 617,628
Property and Other Local Taxes	1,008,527	1,008,527	-
Intergovernmental	185,253	185,253	5,281
Other Operating Receipts	118,992	118,992	2,218
<i>Total Operating Receipts</i>	<u>2,655,448</u>	<u>2,655,448</u>	<u>625,127</u>
Operating Disbursements			
Salaries	1,280,416	1,280,416	293,233
Employee Fringe Benefits	342,052	342,052	144,561
Purchased Services	108,362	108,362	-
Materials and Supplies	109,368	109,368	87,978
Repairs and Maintenance	77,420	77,420	100,929
Communication, Printing and Advertising	108,494	108,494	-
Capital Outlay	108,679	108,679	750
Other	423,210	423,210	3,630
<i>Total Operating Disbursements</i>	<u>2,558,001</u>	<u>2,558,001</u>	<u>631,081</u>
<i>Operating Income</i>	<u>97,447</u>	<u>97,447</u>	<u>(5,954)</u>
Non-Operating Receipts			
Sale of Fixed Assets	131	131	-
<i>Total Non-Operating Receipts</i>	<u>131</u>	<u>131</u>	<u>-</u>
<i>Change in Net Position</i>	97,578	97,578	(5,954)
<i>Net Position Beginning of Year</i>	<u>920,280</u>	<u>920,280</u>	<u>71,840</u>
<i>Net Position End of Year</i>	<u>\$ 1,017,858</u>	<u>\$ 1,017,858</u>	<u>\$ 65,886</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
December 31, 2013

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 3,351	\$ 10,248
<i>Total Assets</i>	<u>3,351</u>	<u>10,248</u>
Net Position		
Held in Trust for Cemetery Bequests:		
Nonexpendable	3,300	-
Expendable	51	-
Held on Behalf of Township Employees	-	10,248
<i>Total Net Position</i>	<u>\$ 3,351</u>	<u>\$ 10,248</u>

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Statement of Changes in Fiduciary Net Position - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2013

	Private Purpose Trust
Additions	
Interest	\$ 2
<i>Total Additions</i>	<i>2</i>
Deductions	
Payments in Accordance with Trust Agreements	-
<i>Total Deductions</i>	<i>-</i>
Change in Net Position	2
Net Position - Beginning of Year	3,349
Net Position - End of Year	\$ 3,351

See accompanying notes to the basic financial statements

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 1 – Reporting Entity

Washington Township, Montgomery County, Ohio (the Township), is a body politic and corporate established in 1796 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected, three-member Board of Trustees. The Township also has an elected Fiscal Officer.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads, fire protection, emergency medical services, recreational facilities and cemetery maintenance. The Township contracts with the Montgomery County Sheriff's Office for police protection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and: (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. Washington Township has no component units.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The Township's basic financial statements consist of township-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. **Township-Wide Financial Statements**

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash and investment balances of the governmental and business-type activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Township's general receipts.

2. **Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service funds are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of services and administrative costs. The proprietary fund statements report all other receipts and disbursements as non-operating.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories: Governmental, Proprietary and Fiduciary.

1. Governmental Funds

The Township classifies funds financed primarily from property taxes, intergovernmental receipts (e.g. rollback and homestead, Local Government Funds), and other non-exchange transactions as governmental funds. The Township's major governmental funds are: General, Road & Bridge, Police and Fire. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The Road & Bridge Fund receives property taxes from two levies for the maintenance and repair of roads and streets, related drainage and right of way functions. The Police Fund receives property taxes from two operating levies in order to provide safety and policing functions. The Fire Fund receives property taxes from two operating levies and fees for ambulance service of residents and non-residents in order to provide fire-related functions plus ambulance and other emergency services.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

2. Proprietary Funds

The Township classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

- a. Enterprise Funds - Enterprise funds are used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user fees. The Township had the following significant Enterprise Fund:

Recreation Fund – This fund is used to account for the Recreation Center's activity. It receives funds primarily through user fees, facility rentals and property taxes.

- b. Internal Service Fund – Internal Service funds are used to account for the financing of services provided by one department to other departments of the Township on a cost reimbursement basis. The Township had the following significant Internal Service Fund:

Vehicle Maintenance Fund – This fund receives revenues from other funds for routine maintenance and repairs performed on Township vehicles and buildings.

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

3. Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments that are not available to support the Township's own programs. The Township has the following Fiduciary Fund.

Cemetery Bequest Fund – This fund accounts for monies donated, to be maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

4. Agency Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Township had the following Agency Fund.

Flexible Benefit Fund – This fund accounts for monies withheld from employees to reimburse them for medical and child care expenses.

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object level for all funds.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

D. Budgetary Process (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2013, the Township invested in U.S. Agencies, STAR Ohio and STAR Plus. The U.S. Agencies are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2013.

Washington Township also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FDIC) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2013 was \$83,625, which includes \$51,145 assigned from other Township funds.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

G. Interfund Receivables / Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. 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 modified cash basis of accounting.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for post-retirement health care benefits.

J. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received, and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

K. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted net position includes resources restricted for the Police, Fire and Road & Bridge funds.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2 – Summary of Significant Accounting Policies (continued)

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

1. **Non-spendable:** The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.
2. **Restricted:** Fund balance is reported as 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:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specific use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
4. **Assigned:** Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution or by State Statute.
5. **Unassigned:** Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General, Police, Fire and Road & Bridge funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balances (modified cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$237,427 for the General Fund, \$8,249 for the Police Fund, \$657,802 for the Fire Fund, and \$694,857 for the Road & Bridge Fund. There were no advances made from the General Fund in 2013. The outstanding advances at year end amounted to \$35,900 for the General Fund.

Note 4 – Deposits and Investments

Monies held by the Township are classified by State Statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township's treasury. Active monies must be maintained either as cash in the Township's treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Fiscal Officer has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. U.S. Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 4 – Deposits and Investments (continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio and STAR Plus).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investment to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

Custodial credit risk is the risk that, in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$10,888,192 of the Township's bank balance of \$11,391,496 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. The carrying amount of the Township's deposits amounted to \$11,221,511. Of the Township's \$17,991,571 in investments, \$3,503,595 is covered by the Federal Deposit Insurance Corporation (FDIC), which is the amount held at STAR Plus. Of the total Township funds (bank balance and investments) held at year end, \$25,376,167 of the \$29,383,066 was exposed to custodial credit risk.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred and five percent of the deposits being secured.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 4 – Deposits and Investments (continued)

B. Investments

As of December 31, 2013, the Township had the following investments:

	Carrying Value	Maturity (in years)				Concentration of Credit Risk
		Less Than One Year	1-2	3-4	5	
Fannie Mae	\$5,249,678	765,308	1,962,514	2,521,856		29.18
FHLB	2,759,537	1,534,820	501,205	723,512		13.09
Freddie Mac	2,355,282	506,175	1,119,271	729,836		15.34
Fed Farm Cr.	2,007,483	502,985		1,504,498		11.16
STAR Ohio	1,333,975	1,333,975				7.41
STAR Plus	3,503,595	3,503,595				19.47
Money Market	782,021	782,021				4.35
Total Portfolio	\$17,991,571	8,928,879	3,582,990	5,479,702	-	

1. Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity, limiting investment portfolio maturities to five years or less.
2. Credit Risk: Money Market Fund carries a rating of AAA by Standard and Poor's, STAR Ohio carries a rating of AAAM by Standard and Poor's and STAR Plus carries a rating of AAAM by Standard and Poor's. The Federal Home Loan Bank Notes and Federal Farm Credit Bank Notes carry a rating of AA+ by Standard and Poor's. The Federal Home Loan Mortgage Corp. (Freddie Mac) Notes and Federal National Mortgage Association (Fannie Mae) Notes carry a rating of AA- by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio and STAR Plus maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.
3. Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Notes and the Federal Home Loan Bank Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name.
4. Concentration of Credit Risk: The Township places no limit on the amount it may invest with any one issuer.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 4 – Deposits and Investments (continued)

B. Investments (Continued)

Reconciliation of Cash and Investment to the Statements of Net Position: The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statements of net position as of December 31, 2013.

<u>Cash and Investments per footnote</u>	
Carrying amounts of deposits	\$11,221,511
Investments	17,991,571
Total	<u>\$29,213,082</u>
 <u>Cash and Investments per Statements of Net Position</u>	
Governmental activities	\$28,181,625
Business type activities	1,017,858
Agency funds	10,248
Private purpose trust funds	3,351
Total	<u>\$29,213,082</u>

Note 5 – Property Taxes

Property taxes include amounts levied against all real property and public utility real property located in the Township. Real property tax receipts received in 2013 represent the collection of 2012 taxes. Real property taxes received in 2013 were levied after October 1, 2012, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State Statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31st; if paid semi-annually, the first payment is due February 15th, with the remainder payable by July 19th. Under certain circumstances, State Statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2013 represent the collection of 2012 taxes. Public utility real property taxes received in 2013 became a lien on December 31, 2011 were levied after October 1, 2012, and were collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility personal property is currently assessed at varying percentages of true value.

Any tangible personal property tax receipts received in 2013 represent the collection of delinquent taxes. Tangible personal property is assessed at zero percent for capital assets and inventory.

The full tax rate for all Township operations for the year ended December 31, 2013, was \$14.05 per \$1,000 of assessed value for unincorporated residents. The full tax rate for all operations, (County, School, Township, City, JVS, Library and Park District), was \$114.44 per \$1,000 of assessed value for unincorporated Township residents and \$108.64 per \$1,000 of assessed value for City of Centerville residents. The assessed values of real property and public utility personal property upon which 2013 property tax receipts were based are as follows:

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 5 – Property Taxes (continued)

Real Property	
Residential/Agricultural	\$1,313,139,920
Commercial/Industrial/Mineral	309,957,810
Public Utility Property	
Real	-
Personal	26,568,000
Total Assessed Value	<u><u>\$1,649,665,730</u></u>

Note 6 – Risk Management

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100.00 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township provides a health savings account plan (HSA) through Anthem for full-time employees and elected officials. Life insurance, through Standard Life Insurance Company, and dental, thru Superior Dental Care, are also provided to all full-time employees, elected officials and eligible part-time employees.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

Plan Description - The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans:

1. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and (vested) employer contributions plus any investment earnings.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 7 – Defined Benefit Pension Plan (continued)

A. Ohio Public Employees Retirement System (continued)

3. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy of this report by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS at the following: 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2013, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For the year ended December 31, 2013, OPERS members were required to contribute 10 percent of their annual covered salaries (12.0% for public safety and 12.6% for law enforcement). Effective January 1, 2014, the member contribution rates for public safety and law enforcement members increased to 12.0% and 13.0% respectively. The contribution rate for pension benefits for 2013 was 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for public safety and law enforcement employer units.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were \$675,557, \$681,908 and \$686,011 respectively, equal to required contributions for each year.

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This accounting standard replaces GASB Statement 27, and it is effective for employer fiscal years beginning after June 15, 2014. OPERS recommends employers begin a dialog with their external auditors to determine the impact this standard will have on employer financial statements.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 7 – Defined Benefit Pension Plan (continued)

B. Ohio Police and Fire Pension Fund

Plan Description - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

From January 1, 2013 through July 1, 2013, plan members were required to contribute 10 percent of their annual covered salary. From July 2, 2013 through December 31, 2013, plan members were required to contribute 10.75 percent of their annual covered salary. Throughout 2013, The Township was required to contribute 24 percent for firefighters. Contributions are authorized by State Statute. The Township's contributions to OP&F for firefighters were \$451,737 for the year ended December 31, 2013; \$413,191 for the year ended December 31, 2012 and \$395,463 for the year ended December 31, 2011. These contributions represent 53% of the required contributions for 2012, 57% of the required contributions for 2011 and 62% of the required contributions for 2010.

Note 8 - Post Employment Benefits

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in *GASB Statement 45*.

The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 1-800-222-7377.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 8 - Post Employment Benefits (continued)

A. Ohio Public Employees Retirement System (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, the Townships employer contribution rate was 14 percent of covered payroll (18.10 percent for public safety and law enforcement). These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1.0% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1.0% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to two percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependants and the coverage selected.

Information from Employer's Records - The rates stated above are the contractually required contribution rates for OPERS. The Townships portion of the employer contributions that were used to fund post-employment benefits can be approximated by multiplying actual employer contributions for calendar year 2013 by 0.0714 for state and local employers (0.0552 for law enforcement and public safety employers).

The Township contributions to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$48,235, \$194,821 and \$195,993, respectively.

OPERS Board of Trustees Adopt Changes to the Health Care Plan - Changes to the health care plan were adapted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. With the recent passage of pending legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate four percent of the employer contributions toward the health care fund after the end of the transition period.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 8 - Post Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund

Plan Description - Washington Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost sharing, multiple-employer defined, post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients, and their eligible dependents.

OP&F provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of Other Post-Employment Benefit (OPEB) as described in *GASB Statement 45*.

The Ohio Revised Code allows, but does not mandate OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at <http://www.op-f.org>.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of all covered police employers units and 24.00% of covered payroll for fire employers units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion allocated to health care was 4.69% of covered payroll from January 1, 2013 through May 31, 2013 and 2.85% of covered payroll from June 1, 2013 through December 31, 2013. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 8 - Post Employment Benefits (continued)

B. Ohio Police and Fire Pension Fund (continued)

The Township's actual contributions to OP&F for the years ending December 31, 2013, 2012, and 2011 were \$451,737, \$413,191 and \$395,463, respectively. The amounts that were used to fund post-employment benefits for firefighters for the years ending December 31, 2013, 2012, and 2011 were \$67,772, \$116,107 and \$111,125, respectively.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2013, was as follows:

<u>Township Activities</u>	<u>Interest Rate</u>	<u>Balance December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2013</u>	<u>Due Within One Year</u>
General Obligation Bonds:						
2009 Issue (\$320,000) Special Assessment Capital Asset	Varies	\$ 240,000	\$ -	\$ 30,000	\$ 210,000	\$ 30,000
2003 Issue (\$5,000,000) Fire Station & Equipment Bond	3.62%	500,000	-	500,000	-	-
Total		<u>\$ 740,000</u>	<u>\$ -</u>	<u>\$ 530,000</u>	<u>\$ 210,000</u>	<u>\$ 30,000</u>

The general obligation bonds are supported by the full faith and credit of the Township and are payable from un-voted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

The following is a summary of the Township's future annual debt service requirements:

Year	<u>G.O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	30,000	8,925
2015	30,000	7,800
2016	30,000	6,600
2017	35,000	5,325
2018	35,000	3,750
2019	50,000	2,175
	<u>\$ 210,000</u>	<u>\$ 34,575</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2013, were an overall debt margin of \$173,214,902 and an un-voted debt margin of \$90,731,615.

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 10 – Fund Balances

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Road & Bridge Fund	Police Fund	Fire Fund	Other Governmental Funds	Total
Nonspendable						
Advances	\$ -	\$ -	\$ -	\$ -	\$ 35,900	\$ 35,900
<i>Total Nonspendable</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,900</u>	<u>35,900</u>
Restricted for						
Road and Bridge	-	-	-	-	850,919	850,919
Police Services	-	-	1,812,567	-	-	1,812,567
Fire Services	-	-	-	5,252,058	-	5,252,058
Cemetery	-	-	-	-	65,261	65,261
Debt Service	-	-	-	-	2,059	2,059
<i>Total Restricted</i>	<u>-</u>	<u>-</u>	<u>1,812,567</u>	<u>5,252,058</u>	<u>918,239</u>	<u>7,982,864</u>
Committed to						
Road and Bridge	-	9,073,841	-	-	-	9,073,841
Lighting District	-	-	-	-	20,932	20,932
<i>Total Committed</i>	<u>-</u>	<u>9,073,841</u>	<u>-</u>	<u>-</u>	<u>20,932</u>	<u>9,094,773</u>
Assigned to						
Unpaid Obligations	237,428	-	-	-	-	237,428
<i>Total Assigned</i>	<u>237,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>237,428</u>
Unassigned (Deficit)	<u>10,764,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,764,774</u>
<i>Total Fund Balances</i>	<u>\$ 11,002,202</u>	<u>\$ 9,073,841</u>	<u>\$ 1,812,567</u>	<u>\$ 5,252,058</u>	<u>\$ 975,071</u>	<u>\$ 28,115,739</u>

Note 11 – Inter Fund Transfers and Inter Fund Receivables / Payables (Advances)

During 2013 there were no inter fund transfers.

Inter fund balances as of December 31, 2013 consisted of the following individual fund receivables and payables:

Due to General Fund from:	
Special Assessment Bond Retirement Fund	\$ 2,000
Lighting Assessment Fund	<u>33,900</u>
Total due General Fund:	<u>\$35,900</u>

Washington Township, Montgomery County
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 11 – Inter Fund Transfers and Inter Fund Receivables / Payables (Advances) (continued)

The balance due to the General Fund includes loans made to cover the first year expenses for the Lighting Assessment Fund and a loan to the Special Assessment Bond Retirement Fund to cover delinquent taxes not paid in 2010 and 2011 for property tax assessment on the Sterling Cove Road Project. The amounts are expected to be repaid in the future.

Note 12 – Contingent Liabilities

The Township is presently a defendant in a claim concerning a drainage issue within Washington Township. Although management cannot presently determine the outcome of this claim, they believe the resolution of this matter 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, 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 13 –Subsequent Events

On January 13th, the Township approved a motion to go to bid to replace the roof on the Recreation Building. The engineers' estimate of the cost to replace the roof is \$550,000.

The Township's Fire Department is currently hiring four additional lieutenants and four additional firefighters. These positions were in our 5-year financial plan and are budgeted positions in 2014.

Perry & Associates
Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA
428 Second Street
Marietta, OH 45750
(740) 373-0056
(740) 373-2402 Fax

PARKERSBURG
1035 Murdoch Avenue
Parkersburg, WV 26101
(304) 422-2203
(304) 428-5587 Fax

ST. CLAIRSVILLE
121 E. Main Street
St. Clairsville, OH 43950
(740) 695-1569
(740) 695-5775 Fax

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

May 9, 2014

Washington Township, Montgomery County
8200 McEwen Road
Dayton, Ohio 45458

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **Washington Township** (the Township), Montgomery County, Ohio, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 9, 2014, wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles.

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 opinions 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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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



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



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

MONTGOMERY 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 8, 2014**