



Dave Yost • Auditor of State



WASHINGTON TOWNSHIP  
BROWN COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Washington Township  
Brown County  
P.O. Box 72  
Sardinia, Ohio 45171

To the Township Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Washington Township, Brown County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Washington Township, Brown County, Ohio, as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 9, 2014

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$35,413	\$29,312	\$64,725
Licenses, Permits and Fees	0	1,650	1,650
Intergovernmental	58,689	100,932	159,621
Earnings on Investments	21	54	75
Miscellaneous	768	99	867
<i>Total Cash Receipts</i>	<u>94,891</u>	<u>132,047</u>	<u>226,938</u>
<b>Cash Disbursements</b>			
Current:			
General Government	40,381	1,664	42,045
Public Safety	0	26,963	26,963
Public Works	0	57,573	57,573
Conservation-Recreation	0	2,283	2,283
Capital Outlay	52	0	52
Debt Service:			
Principal Retirement	0	9,905	9,905
Interest and Fiscal Charges	0	165	165
<i>Total Cash Disbursements</i>	<u>40,433</u>	<u>98,553</u>	<u>138,986</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>54,458</u>	<u>33,494</u>	<u>87,952</u>
<i>Fund Cash Balances, January 1</i>	<u>(6,801)</u>	<u>176,576</u>	<u>169,775</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	681	681
Restricted	0	191,085	191,085
Committed	0	18,304	18,304
Unassigned (Deficit)	47,657	0	47,657
<i>Fund Cash Balances, December 31</i>	<u>\$47,657</u>	<u>\$210,070</u>	<u>\$257,727</u>

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

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$25,690	\$28,427	\$54,117
Licenses, Permits and Fees	0	1,429	1,429
Intergovernmental	20,896	115,092	135,988
Earnings on Investments	23	52	75
Miscellaneous	1,405	964	2,369
<i>Total Cash Receipts</i>	<u>48,014</u>	<u>145,964</u>	<u>193,978</u>
<b>Cash Disbursements</b>			
Current:			
General Government	57,307	2,005	59,312
Public Safety	0	22,970	22,970
Public Works	850	43,524	44,374
Health	1,332	0	1,332
Conservation-Recreation	0	4,322	4,322
Capital Outlay	1,534	20,000	21,534
<i>Total Cash Disbursements</i>	<u>61,023</u>	<u>92,821</u>	<u>153,844</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(13,009)</u>	<u>53,143</u>	<u>40,134</u>
<i>Fund Cash Balances, January 1</i>	<u>6,208</u>	<u>123,433</u>	<u>129,641</u>
<b>Fund Cash Balances, December 31</b>			
Nonspendable	0	666	666
Restricted	0	155,310	155,310
Committed	0	20,600	20,600
Unassigned (Deficit)	<u>(6,801)</u>	<u>0</u>	<u>(6,801)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$6,801)</u></u>	<u><u>\$176,576</u></u>	<u><u>\$169,775</u></u>

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



**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Washington Township, Brown County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Village of Sardinia to provide fire services and Sardinia Life Squad and Rescue Unit of Brown County, a non-profit corporation, to provide ambulance services.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

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

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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

Fire Levy Fund - This fund receives proceeds from a tax levy for providing Township residents with fire protection services.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2013 and 2012 budgetary activity appears in Note 3.

**F. Fund Balance**

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

**1. Nonspendable**

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

WASHINGTON TOWNSHIP  
BROWN COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)

1. Summary of Significant Accounting Policies (Continued)

F. Fund Balance (Continued)

2. Restricted

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

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township did not have any fund balances in this classification at December 31, 2013.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**2. Equity in Pooled Deposits and Investments**

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

	2013	2012
Demand deposits	\$257,227	\$169,275
Certificates of deposit	500	500
Total deposits	\$257,727	\$169,775

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,103	\$94,891	\$56,788
Special Revenue	121,166	132,047	10,881
Total	\$159,269	\$226,938	\$67,669

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$41,544	\$40,433	\$1,111
Special Revenue	286,483	98,553	187,930
Total	\$328,027	\$138,986	\$189,041

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,891	\$48,014	\$2,123
Special Revenue	152,484	145,964	(6,520)
Total	\$198,375	\$193,978	(\$4,397)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,750	\$66,143	(\$9,393)
Special Revenue	198,477	170,150	28,327
Total	\$255,227	\$236,293	\$18,934

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**3. Budgetary Activity (Continued)**

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$9,393 and Motor Vehicle License Tax Fund by \$579 for the year ended December 31, 2012.

**4. Property Tax**

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

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

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

**5. Debt**

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Capital Lease	\$36,616	4.5%
Total	\$36,616	

The Township entered into a capital lease for a tractor/backhoe for Township road maintenance. The Township's taxing authority collateralized the bonds.

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

Year ending December 31:	Capital Lease
2014	\$10,070
2015	10,070
2016	10,070
2017	10,070
Total	\$40,280

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**6. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**7. Risk Management**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**7. Risk Management (Continued)**

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$4,680	\$4,481

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

**8. Compliance**

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

The Township did not maintain records in accordance with Ohio Admin. Code Section 117-2-02.

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(Continued)**

**8. Compliance (Continued)**

The Township had expenditures plus encumbrances that exceeded appropriations at fiscal year-end 2012 for the General Fund and Motor Vehicle License Tax Fund, contrary to Ohio Rev. Code Section 5705.41 (B)

The Township had payroll expenditures for the Fiscal Officer that exceeded authorized amounts, contrary to Ohio Rev. Code Section 507.09(A)(4).

The Township had payroll expenditures for the Trustees that exceeded authorized amounts, contrary to Ohio Rev. Code Section 505.24(A)(3).





# Dave Yost • Auditor of State

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

Washington Township  
Brown County  
P.O. Box 72  
Sardinia, Ohio 45171

To the Township 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 Washington Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-001 through 2013-007.

***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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

**Dave Yost**  
Auditor of State

Columbus, Ohio

December 9, 2014

**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2013 AND 2012**

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

**FINDING NUMBER 2013-001**

**NONCOMPLIANCE CITATION AND MATERIAL WEAKNESS**

**Ohio Rev. Code, Sections 505.24(C)**, provides that by unanimous vote, a board of township trustees may adopt a method of compensation consisting of an annual salary to be paid in equal monthly payments. If the office of trustee is held by more than one person during any calendar year, each person holding the office shall receive payments for only those months, and any fractions of those months, during which the person holds the office. The amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution. Each trustee shall certify the percentage of time spent working on matters to be paid from the township general fund and from other township funds in such proportions as the kinds of services performed. A sample certification is attached to AOS Bulletin 2011-007. If 100% of the compensation of the township Trustee is to be paid from the general fund, no certification is required.

The Board of Trustees passed a resolution to be paid on a salary basis in equal monthly installments. However, Trustee payroll certification for July through September 2012 were not on file, and the Township did not post Trustee payroll to the funds as indicated on other monthly certifications. This resulted in inaccurate posting of Trustee salary and required the following audit adjustments:

<b>Year</b>	<b>Fund</b>	<b>Line Item</b>	<b>Adjustment Amount</b>
<b>2012</b>	General Fund 1000	General Government Expenditures	\$7,998
	Motor Vehicle License Fund 2011	Public Works Expenditures	1,019
	Gas Tax Fund 2021	Public Works Expenditures	(8,405)
	Zoning Fund 2181	General Government Expenditures	(612)
<b>2013</b>	Motor Vehicle License Fund 2011	Public Works Expenditures	(509)
	Gas Tax Fund 2021	Public Works Expenditures	509

The Township has posted these adjustments to the financial statements and accounting records.

We recommend the Trustee's payroll certifications be completed for each month in which the Trustees are to be paid from any fund(s) other than the general fund, and the Fiscal Officer should allocate payroll according to these certifications. If no certifications are provided, then 100% of the compensation of the Trustee should be paid from the general fund.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-002**

**NONCOMPLIANCE CITATION AND MATERIAL WEAKNESS**

**Ohio Admin. Code Section 117-2-02** requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

We noted the conditions related to the Township accounting system:

- The approved budgetary amounts did not always agree to the budgetary amounts in the accounting system. The 2012 General fund appropriations represented in the accounting system were \$3,400 more than the approved appropriations. In 2012, estimated revenue on the final amended certificate was more than the estimated revenue recorded in the accounting system in the following amounts: General Fund, \$6,891; Gasoline Tax Fund, \$5,640; Zoning Fund, \$500; and Special Levy Fire Fund, \$650. Recording incorrect amounts into the accounting system can lead to misappropriation of funds, makes budgetary monitoring difficult, and causes misstatement in budgetary presentations.
- The Township posted net property tax amounts instead of gross property tax amounts and posted homestead and rollback receipts as property taxes or entirely to the general fund instead of according to the property tax settlement sheets. Also, grant receipts were posted as miscellaneous revenue. This resulted in the following audit adjustments:

Year	Amount	Fund Coding Reported	Amount	Correct Fund Coding
2012	\$(4,306)	General - Property Tax Receipts	\$ 2,094	General - Intergovernmental Receipts
			2,254	Special Fire Levy - Intergovernmental Receipts
			(42)	General - General Government
2012	(2,103)	General - Property Tax Receipts	2,103	General - Intergovernmental Receipts
2012	(2,267)	Special Fire Levy - Property Tax Receipts	2,267	Special Fire Levy - Intergovernmental Receipts
2012	(19,403)	Park Levy - Miscellaneous Receipts	19,403	Park Levy - Intergovernmental Receipts
2013	(19,439)	General - Property Tax Receipts	25,320	General - Property Tax Receipts
			(5,323)	General - General Government
2013	(8,593)	General - Property Tax Receipts	4,176	General - Intergovernmental Receipts
			4,503	Special Fire Levy - Intergovernmental Receipts
			(86)	Special Fire Levy - General Government

**FINDING NUMBER 2013-002  
(Continued)**

Year	Amount	Fund Coding Reported	Amount	Correct Fund Coding
2013	(28,905)	Special Fire Levy - Property Tax Receipts	29,311	Special Fire Levy - Property Tax Receipts
			(963)	Special Fire Levy - Public Safety Expenditures
2013	(12,286)	General - Property Tax Receipts	12,286	General - Intergovernmental Receipts
2013	(5,000)	Gas Tax - Miscellaneous Receipts	5,000	Gas Tax - Intergovernmental Receipts

The Township has posted these adjustments to the financial statements and accounting records where appropriate.

- The Township did not accurately code 2 of the 35 nonpayroll and debt disbursement tested:
  - One nonpayroll expenditure totaling \$20,000 had a function level coding error resulting in a financial statement presentation error.
  - One debt expenditure totaling \$10,070 had a function level coding error resulting in a financial statement presentation error.

These errors resulted in the following audit adjustments:

Year	Amount	Fund Coding Reported	Correct Fund Coding
2012	\$ 20,000	Gas Tax Public Works Expenditures	Gas Tax Capital Outlay
2013	9,905	Gas Tax Public Works Expenditures	Gas Tax Debt Service Principal
2013	165	Gas Tax Public Works Expenditures	Gas Tax Debt Service Interest

The Township has posted these adjustments to the financial statements.

- The Township did not maintain a payroll journal for 2012 and 2013; therefore, there was no payroll disbursement summary by employee for each pay period to document the gross amounts, deductions and net amounts or incorporate the fund allocations of officials' and employees' activities to the corresponding funds. As a result the payroll expenditures for officials and employees compensation from restricted funds were not accurately posted properly. Adjustments are identified above in finding 2013-001.

We recommend that the Township ensure approved budgetary and actual amounts are properly posted to the accounting system by using the UAN account structure manual and exercising due care when posting transactions. This will allow the Township to monitor for misappropriations of funds, increase budgetary monitoring controls, and eliminate misstatements in budgetary presentations and financial statements. Also, we recommend that a payroll journal be maintained for each employee.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-003**

**NONCOMPLIANCE CITATION**

Ohio Rev. Code, Section 5705.41 (B), prohibits subdivision from making an expenditure unless it has been properly appropriated. As of fiscal year end 2012, the General Fund had expenditures and encumbrances of \$66,143 which exceeded appropriations of \$56,750 by \$9,393 and the Motor Vehicle License Tax Fund had expenditures and encumbrances of \$6,679 which exceeded appropriations of \$6,100 by \$579.

The management of the Township should monitor the budgetary receipts and expenditures by having the Fiscal Officer provide budgetary reports at least quarterly to be reviewed and approved by the Board of Trustees. By regularly monitoring its budgetary position throughout the year, the Township will be better able to determine when amendments need to be made to budgeted receipts and disbursements, thus avoiding negative fund balances. Also this would help management be better prepared for making decisions which might affect the overall cash position of the Township.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-004**

**NONCOMPLIANCE CITATION / FINDING FOR RECOVERY REPAID UNDER AUDIT**

Ohio Rev. Code § 507.09(A)(4) provides that in a township having a budget of more than \$100,001 but not more than \$250,000, the compensation of the Township Fiscal Officer shall be \$9,903 per year.

Washington Township's budget in 2013 was between \$100,001 and \$250,000 thus the Fiscal Officer was to be paid \$9,903.

Washington Township's Fiscal Officer mistakenly used the incorrect amount when calculating the Fiscal Officer's salary. Consequently, the Fiscal Officer Matthew Latham received compensation in the amount of \$12,736 in 2013 resulting in an overpayment of \$2,829.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Fiscal Officer Matthew Latham and his bonding company, Travelers Casualty and Surety Company of America, in the amount of \$2,829, and in favor of Washington Township's General fund in the amount of \$2,829.

Upon discovery of the facts, Mr. Latham made repayment in full to the Township via a personal check on November 10, 2014.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-005**

**NONCOMPLIANCE CITATION / FINDING FOR RECOVERY REPAID UNDER AUDIT**

Ohio Rev. Code § 505.24(A)(3) provides that in a township having a budget of more than \$100,001 but not more than \$250,000, the compensation of the Township Trustee shall be \$7,332 per year.

Washington Township's budget in 2013 was between \$100,001 and \$250,000 thus the Trustees were to be paid \$7,332.

Washington Township's Fiscal Officer mistakenly used the incorrect amount when calculating Township Trustee salaries. Consequently, Township Trustee Jane Wills received compensation in the amount of \$8,490 in 2013 resulting in an overpayment of \$1,158.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Jane Wills and her bonding company, Ohio Township Association Risk Management Authority, in the amount of \$1,158, and in favor of Washington Township's General fund in the amount of \$93, Motor Vehicle License Tax fund in the amount of \$185, and Gasoline Tax fund in the amount of \$880.

Upon discovery of the facts, Ms. Wills made repayment in full to the Township via a cashier's check on November 10, 2014.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-006**

**NONCOMPLIANCE CITATION / FINDING FOR RECOVERY REPAID UNDER AUDIT**

Ohio Rev. Code § 505.24(A)(3) provides that in a township having a budget of more than \$100,001 but not more than \$250,000, the compensation of the Township Trustee shall be \$7,332 per year.

Washington Township's budget in 2013 was between \$100,001 and \$250,000 thus the Trustees were to be paid \$7,332.

Washington Township's Fiscal Officer mistakenly used the incorrect amount when calculating Township Trustee salaries. Consequently, Township Trustee John Corboy received compensation in the amount of \$8,490 in 2013 resulting in an overpayment of \$1,158.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee John Corboy and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$1,158, and in favor of Washington Township's General fund in the amount of \$93, Motor Vehicle License Tax fund in the amount of \$185, and Gasoline Tax fund in the amount of \$880.

Upon discovery of the facts, Mr. Corboy made repayment in full to the Township via a personal check on November 10, 2014.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2013-007**

**NONCOMPLIANCE CITATION / FINDING FOR RECOVERY REPAID UNDER AUDIT**

Ohio Rev. Code § 505.24(A)(3) provides that in a township having a budget of more than \$100,001 but not more than \$250,000, the compensation of the Township Trustee shall be \$7,332 per year.

Washington Township's budget in 2013 was between \$100,001 and \$250,000 thus the Trustees were to be paid \$7,332.

Washington Township's Fiscal Officer mistakenly used the incorrect amount when calculating Township Trustee salaries. Consequently, Township Trustee Danny Bolender received compensation in the amount of \$8,490 in 2013 resulting in an overpayment of \$1,158.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Township Trustee Danny Bolender and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$1,158, and in favor of Washington Township's General fund in the amount of \$93, Motor Vehicle License Tax fund in the amount of \$185, and Gasoline Tax fund in the amount of \$880.

Upon discovery of the facts, Mr. Bolender made repayment in full to the Township via a personal check on November 10, 2014.

**Officials' Response:**

We did not receive a response from Officials to this finding.



**WASHINGTON TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-001	Ohio Revised Code Section 505.24(C)	No	Partially Corrected; Repeat as Finding 2013-001
2011-002	Material Weakness: Not properly recording budgetary information and disbursements	No	Not Corrected; Repeat as Finding 2013-002

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# Dave Yost • Auditor of State

**WASHINGTON TOWNSHIP**

**BROWN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 23, 2014**