

Washington Township
Scioto County
Regular Audit
For the Years Ended December 31, 2009 and 2008



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Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Washington Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc, for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 29, 2010

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Scioto County
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For the Years Ended December 31, 2009 and 2008

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Washington Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position for the years then ended.

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Scioto County
Independent Auditor's Report
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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of Washington Township, Scioto County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2010 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

September 30, 2010

Washington Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2009

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$51,809	\$519,164	\$570,973
Charges for Services	0	61,546	61,546
Licenses, Permits, and Fees	50,210	0	50,210
Intergovernmental	31,454	255,880	287,334
Earnings on Investments	10,861	902	11,763
Miscellaneous	2,090	1,441	3,531
Total Cash Receipts	146,424	838,933	985,357
Cash Disbursements:			
Current:			
General Government	108,906	0	108,906
Public Safety	0	412,292	412,292
Public Works	0	452,762	452,762
Health	31,478	0	31,478
Capital Outlay	0	133,378	133,378
Debt Service:			
Redemption of Principal	0	10,944	10,944
Interest and Other Fiscal Charges	0	2,311	2,311
Total Cash Disbursements	140,384	1,011,687	1,152,071
Total Cash Receipts Over (Under) Cash Disbursements	6,040	(172,754)	(166,714)
Other Financing Sources:			
Proceeds from Loan	0	119,370	119,370
Sale of Fixed Assets	0	13,964	13,964
Total Other Financing Sources	0	133,334	133,334
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements	6,040	(39,420)	(33,380)
Fund Cash Balances, January 1	56,467	706,968	763,435
Fund Cash Balances, December 31	\$62,507	\$667,548	\$730,055
Reserve for Encumbrances, December 31	\$448	\$47	\$495

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

Washington Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2008

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$53,122	\$520,684	\$573,806
Charges for Services	0	28,173	28,173
Licenses, Permits, and Fees	48,198	0	48,198
Intergovernmental	33,532	249,775	283,307
Earnings on Investments	10,059	1,040	11,099
Miscellaneous	1,475	4,175	5,650
Total Cash Receipts	146,386	803,847	950,233
Cash Disbursements:			
Current:			
General Government	109,853	0	109,853
Public Safety	0	335,871	335,871
Public Works	0	421,255	421,255
Health	34,422	0	34,422
Capital Outlay	0	18,464	18,464
Debt Service:			
Redemption of Principal	20,524	10,466	30,990
Interest and Other Fiscal Charges	1,138	178	1,316
Total Cash Disbursements	165,937	786,234	952,171
Total Cash Receipts Over (Under) Cash Disbursements	(19,551)	17,613	(1,938)
Other Financing Sources:			
Insurance Reimbursements	1,130	40,384	41,514
Total Other Financing Sources	1,130	40,384	41,514
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements	(18,421)	57,997	39,576
Fund Cash Balances, January 1	74,888	648,971	723,859
Fund Cash Balances, December 31	\$56,467	\$706,968	\$763,435
Reserve for Encumbrances, December 31	\$0	\$0	\$0

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

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general road and bridge services, including road and bridge maintenance (public works), ambulance services (health), and fire protection (public safety). The Township contracts with the Minford Volunteer Fire Department and the Stockdale Volunteer Fire Department to provide fire services and the Minford Emergency Ambulance Service, Inc. to provide ambulance service.

The Township participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA) – This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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

Basis of Accounting

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

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

Cash

The Township maintains its cash pool in interest-bearing checking and savings accounts with local commercial banks.

Fund Accounting

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

General Fund

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

Special Revenue Funds

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

Gasoline Tax Fund – This fund receives gasoline tax monies and is used to account for road work done by the Township.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Road and Bridge Fund – This fund receives property tax monies and is used to account for road work done by the Township.

Fire Fund – This fund receives property tax money and is used to account for costs to provide fire protection to residents of the Township.

Ambulance Fund – This fund receives property tax monies and is used to account for costs to provide ambulatory services to residents of the Township.

Road and Bridge Levy Fund – This fund receives property tax monies and is used to account for costs to provide for maintenance of the Township's roads.

Sheriff Fund – This fund receives property tax monies and is used to account for costs to provide police protection to residents of the Township via a contract with the Scioto County Sheriff's Department.

Budgetary Process

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

Appropriations

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

Estimated Resources

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

Encumbrances

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

A summary of the 2009 and 2008 budgetary activity appears in Note 3.

Property, Plant, and Equipment

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

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 2 – Equity in Pooled Cash

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

	2009	2008
Demand Deposits	\$730,055	\$763,435

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2009 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$145,900	\$146,424	\$524
Special Revenue	951,480	972,267	20,787
Total	\$1,097,380	\$1,118,691	\$21,311

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$202,367	\$140,832	\$61,535
Special Revenue	1,542,446	1,011,734	530,712
Total	\$1,744,813	\$1,152,566	\$592,247

Budgetary activity for the year ending December 31, 2008 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$172,716	\$147,516	(\$25,200)
Special Revenue	909,478	844,231	(65,247)
Total	\$1,082,194	\$991,747	(\$90,447)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,342	\$165,937	\$68,405
Special Revenue	1,471,451	786,234	685,217
Total	\$1,705,793	\$952,171	\$753,622

Note 4 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 4 – Property Taxes (Continued)

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

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

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

Note 5 – Debt

Debt outstanding at December 31, 2009 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire/Rescue Truck Note	\$108,426	3.85%

On January 1, 2003, the Township took out a note for \$70,000 to finance the demolition of an old high school on Township property. The Township was scheduled to make semi-annual payments in the amount of \$5,501.23, which includes interest, through July 25, 2009. The note was collateralized by the value of the land. The note was paid off during 2008.

On November 9, 2004, the Township took out a note for \$77,662 to finance the purchase of a new dump truck. The Township was scheduled to make one final payment in the amount of \$10,506.83, which includes interest, on April 11, 2008. The note was collateralized by the value of the dump truck. The note was paid off during 2008.

On January 29, 2009, the Township took out a note for \$119,370 to finance the purchase of a fire/rescue truck. The Township is scheduled to make semi-annual payments in the amount of \$13,254.98, which includes interest, through January 29, 2014. The note is collateralized by the value of the fire/rescue truck.

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

<u>Year Ending December 31:</u>	<u>Fire/Rescue Truck Note</u>
2010	\$26,510
2011	26,510
2012	26,510
2013	26,510
2014	13,255
Total	<u>\$119,295</u>

Note 6 – Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OPERS members contributed 10% of their gross salaries, with the Township contributing an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2009.

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management

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

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2009, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Assets	\$38,982,088	\$40,737,740
Liabilities	<u>(12,880,766)</u>	<u>(12,981,818)</u>
Net Assets	<u>\$26,101,322</u>	<u>\$27,755,922</u>

At December 31, 2009 and 2008, respectively, the liabilities above include approximately \$12.0 and \$12.1 million of estimated incurred claims payable. The assets above also include approximately \$11.5 and \$10.9 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2009 and 2008, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2009, the Township’s share of these unpaid claims collectible in future years is approximately \$21,623.

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

Washington Township
Scioto County
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

Note 7 – Risk Management (Continued)

	Contributions to OTARMA
2007	\$22,760
2008	23,137
2009	20,208

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.

Note 8 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 9 – Compliance

The Township did not properly encumbrance funds prior to commitment, which is contrary to Ohio Revised Code Section 5705.41(D).

The Township had appropriations in excess of estimated resources, which is contrary to Ohio Revised Code Section 5705.39.

The Township had appropriations in excess of available resources, which is contrary to Ohio Revised Code Section 5705.36(A).

Note 10 – Change in Financial Statement Presentation

In 2008 and 2009, the Township elected to change its financial statement presentation to follow the accounting basis the Auditor of State prescribes or permits as further discussed in Note 1.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of Washington Township, Scioto County, (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated September 30, 2010, wherein we noted the Township followed the accounting basis the Auditor of State prescribes or permits, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, which are described in the accompanying schedule of findings and responses as items 2009-1 and 2009-2.

Washington Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-3 and 2009-5.

We noted certain matters that we reported to management of the Township in a separate letter dated September 30, 2010.

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

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



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

September 30, 2010

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

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

FINDING NUMBER 2009-1

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township misclassified various receipts and disbursements in 2008 and 2009 and in certain instances recorded receipts in incorrect funds. The Township should implement additional monitoring procedures to ensure receipts and disbursements are properly recorded.

Client Response:

We will monitor our procedures to ensure receipts and disbursements are properly recorded.

FINDING NUMBER 2009-2

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to estimated resources and appropriations are authorized by the governing board. Amendments to the budget at the fund level should be filed with the County Auditor. At the end of 2009 and 2008, the Trustees approved amendments to estimated resources and appropriations to align the budget with actual figures. These amendments were recorded within the accounting record but were not filed with the County Auditor. Budgetary amendments must be filed with the County Auditor to become effective. As these amendments were not filed as required, by law, these amendments were not valid. We recommend that the Township implement the appropriate procedures to ensure that all authorized budgetary amendments are properly filed with the County Auditor.

Client Response:

We will implement a process to ensure all amendments are properly filed.

FINDING NUMBER 2009-3

Noncompliance Citation - Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-3 (Continued)

Noncompliance Citation - Prior Encumbrance of Funds (Continued)

1. “Then and Now” Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

There were several instances identified in 2009 and 2008 for which funds were not properly certified prior to commitment or expenditure of funds.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, the Fiscal Officer should certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used.

The Township officials and employees should obtain the Fiscal Officer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitments, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response:

We will use blanket certificates more regularly.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2009 and 2008

FINDING NUMBER 2009-4

Noncompliance – Appropriations in Excess of Estimated Resources

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township had appropriations in excess of estimated resources in January 2009 and 2008 as a result of approving appropriations prior to obtaining an official certificate of estimated resources. Failure to timely prepared budgetary documents subjects the Township to the risk of spending in excess of estimated resources. The Township should implement procedures to ensure the estimated resources are filed timely to ensure funds are not appropriated, encumbered, and expended prior to authorizing appropriations with the filing of estimated resources.

Client Response:

The Township will implement procedures to ensure the estimated resources are filed timely and accurately.

FINDING NUMBER 2009-5

Noncompliance – Appropriations in Excess of Available Resources

Ohio Revised Code Section 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. Ohio Revised Code Section 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The Township had appropriations in excess of available resources in two funds in 2009 and three funds in 2008. Failure to properly monitor budget to actual information subjects the Township to the risk of spending in excess of available resources. The Township should implement additional monitoring procedures to ensure the appropriations are within available resources and that reduced amended certificates, and related reductions in appropriations, are obtained when appropriate.

Client Response:

We will see outside help to ensure the appropriations are within available resources.

Washington Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2009 and 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2007-001	Noncompliance with ORC Section 5705.39 – Appropriations in Excess of Estimated Resources	No	Reissued as Finding 2009-4
Finding 2007-002	Noncompliance with ORC Section 5705.41(D) – Prior Certification of Funds	No	Reissued as Finding 2009-3
Finding 2007-003	Material Weakness – Financial Reporting	No	Reissued as Finding 2009-1

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Mary Taylor, CPA
Auditor of State

WASHINGTON TOWNSHIP

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2010**