



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY

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Dave Yost • Auditor of State

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Board of Trustees:

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

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

Dave Yost
Auditor of State

August 13, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

In addition, during 2011 and 2010, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$44,765 and \$39,107, respectively, from the Gasoline Fund. Ohio Rev. Code Section 5735.27(A)(5)(d) requires gasoline tax revenue to be used for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest, and charges on obligations incurred pursuant to Ohio Rev. Code Section 5531.09, and paying costs apportioned to the township under Ohio Rev. Code Section 4907.47. These employees did not perform work consistent with allowable uses of gasoline tax fund. Additionally, during 2011 and 2010, the Township received state property tax reimbursements for the road and bridge levy totaling \$729 and \$676, respectively, in the General Fund. Ohio Rev. Code Section 5705.10(C) requires revenue derived from special levies to be posted to the special revenue fund for which that levy was made. Also, during 2010, the Township received a \$3,124 reimbursement for an expenditure made from the Road and Bridge Fund; though, the money was posted to the General Fund. Had the Township agreed to these adjustments, the effect would have resulted in negative General Fund cash balances at December 31, 2011 and 2010 totaling \$66,676 and \$17,230, respectively.

Also, in our opinion, because of the effects of the matter referred to in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of Washington Township, Tuscarawas, Ohio, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2012, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

August 13, 2012

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$92,127 | \$11,626 | \$103,753 |
| Intergovernmental Revenue | 33,388 | 99,302 | 132,690 |
| Earnings on Investments | 4 | | 4 |
| Miscellaneous | 200 | | 200 |
| | <u>125,719</u> | <u>110,928</u> | <u>236,647</u> |
| <i>Total Cash Receipts</i> | | | |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 48,204 | | 48,204 |
| Public Safety | 34,733 | | 34,733 |
| Public Works | 14,436 | 126,297 | 140,733 |
| Human Services | 11,642 | | 11,642 |
| Capital Outlay | | 5,782 | 5,782 |
| Debt Service: | | | |
| Principal Retirement | 18,000 | | 18,000 |
| Interest and Fiscal Charges | 2,656 | | 2,656 |
| | <u>129,671</u> | <u>132,079</u> | <u>261,750</u> |
| <i>Total Cash Disbursements</i> | | | |
| <i>Excess of Receipts (Under) Disbursements</i> | <u>(3,952)</u> | <u>(21,151)</u> | <u>(25,103)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>25,677</u> | <u>36,113</u> | <u>61,790</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | 0 | 14,962 | 14,962 |
| Assigned | 21,725 | 0 | 21,725 |
| | <u>21,725</u> | <u>14,962</u> | <u>36,687</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$21,725</u> | <u>\$14,962</u> | <u>\$36,687</u> |

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

**WASHINGTON TOWNSHIP
TUSCARAWAS**

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

| | Fiduciary Fund Types |
|---|-------------------------|
| | Agency |
| Operating Cash Receipts | |
| Charges for Services | |
| Licenses, Permits and Fees | |
| Fines and Forfeitures | |
| Earnings on Investments (trust funds only) | |
| Miscellaneous | |
| | |
| <i>Total Operating Cash Receipts</i> | 0 |
| Operating Cash Disbursements | |
| Salaries | |
| Employee Fringe Benefits | |
| Purchased Services | |
| Supplies and Materials | |
| Claims | |
| Other | |
| | |
| <i>Total Operating Cash Disbursements</i> | 0 |
| <i>Operating Income (Loss)</i> | 0 |
| Non-Operating Receipts (Disbursements) | |
| <i>Fund Cash Balances, January 1</i> | 2,858 |
| <i>Fund Cash Balances, December 31</i> | \$2,858 |

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

**WASHINGTON TOWNSHIP
TUSCARASWAS COUNTY**

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

| | <u>Governmental Fund Types</u> | | <u>Totals (Memorandum Only)</u> |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$91,879 | \$11,962 | \$103,841 |
| Intergovernmental | 45,278 | 106,947 | 152,225 |
| Earnings on Investments | 7 | | 7 |
| Miscellaneous | 2,028 | | 2,028 |
| | <u>139,192</u> | <u>118,909</u> | <u>258,101</u> |
| Total Cash Receipts | | | |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 60,021 | | 60,021 |
| Public Safety | 8,961 | | 8,961 |
| Public Works | 40,489 | 125,854 | 166,343 |
| Health | 881 | | 881 |
| Human Services | 12,988 | | 12,988 |
| Capital Outlay | | 11,540 | 11,540 |
| Debt Service: | | | |
| Redemption of Principal | 18,000 | | 18,000 |
| Interest and Other Fiscal Charges | 3,511 | | 3,511 |
| | <u>144,851</u> | <u>137,394</u> | <u>282,245</u> |
| Total Cash Disbursements | | | |
| Total Receipts (Under) Disbursements | <u>(5,659)</u> | <u>(18,485)</u> | <u>(24,144)</u> |
| Fund Cash Balances, January 1 | <u>31,336</u> | <u>54,598</u> | <u>85,934</u> |
| Fund Cash Balances, December 31 | <u>\$25,677</u> | <u>\$36,113</u> | <u>\$61,790</u> |
| Reserve for Encumbrances, December 31 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

| | <u>Agency</u> |
|--|----------------|
| Operating Cash Receipts: | |
| Charges for Services | \$0 |
| Miscellaneous | |
| Total Operating Cash Receipts | 0 |
| Operating Cash Disbursements: | |
| Salaries | |
| Employee Fringe Benefits | |
| Purchased Services | |
| Supplies and Materials | |
| Claims | |
| Other | |
| Total Operating Cash Disbursements | 0 |
| Operating Income/(Loss) | 0 |
| Fund Cash Balances, January 1 | 2,858 |
| Fund Cash Balances, December 31 | \$2,858 |
| Reserve for Encumbrances, December 31 | \$0 |

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Tuscarawas 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 Newcomerstown Emergency Rescue Squad, Inc., to provide fire services..

The Township participates in one jointly governed organization and the Ohio Government Risk Plan public entity risk pool. Notes 7 and 8 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Tri-County Ambulance District (the Ambulance District)

The Ambulance District is a body corporate and politic formed by the Township and several other political subdivisions under Ohio Revised Code Section 505.375 to provide emergency medical services.

Public Entity Risk Pool:

The Township belongs to the Ohio Plan Risk Management, Inc., which had been previously been part of the Ohio Government Risk Management Plan.

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.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

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.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Motor Vehicle Licenses Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for a performance bond.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

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

F. Fund Balance

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

1. 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.

WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY

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

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

F. **Fund Balance (Continued)**

2. **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 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.

H. **Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

2. Equity in Pooled Deposits and Investments

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

| | 2011 | 2010 |
|--------------------------------|----------|----------|
| Demand deposits | \$32,642 | \$57,750 |
| Total deposits | 32,642 | 57,750 |
| STAR Ohio | 6,903 | 6,898 |
| Total investments | 6,903 | 6,898 |
| Total deposits and investments | \$39,545 | \$64,648 |

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

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

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

2011 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|-----------|
| General | \$130,984 | \$125,719 | (\$5,265) |
| Special Revenue | 102,000 | 110,928 | 8,928 |
| Total | \$232,984 | \$236,647 | \$3,663 |

2011 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|-----------------|----------------------------|---------------------------|-------------|
| General | \$0 | \$129,671 | (\$129,671) |
| Special Revenue | 0 | 132,079 | (132,079) |
| Total | \$0 | \$261,750 | (\$261,750) |

2010 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General | \$128,763 | \$139,192 | \$10,429 |
| Special Revenue | 111,100 | 118,909 | 7,809 |
| Total | \$239,863 | \$258,101 | \$18,238 |

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

3. Budgetary Activity (Continued)

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$0 | \$144,851 | (\$144,851) |
| Special Revenue | 0 | 137,394 | (137,394) |
| Total | \$0 | \$282,245 | (\$282,245) |

Contrary to Ohio law 5705.41(B), budgetary expenditures exceeded appropriation authority in the General fund, Motor Vehicle Fund, Gasoline Fund, Road and Bridge Fund, and OPWC / Issue II Fund by \$129,671, \$12,544, \$98,702, \$15,051 and \$5,782, respectively, for the year ended December 31, 2011. Budgetary expenditures exceeded appropriation authority in the General fund, Motor Vehicle Fund, Gasoline Fund, Road and Bridge Fund, and OPWC / Issue II Fund by \$144,851, \$16,376, \$97,148, \$12,330 and \$11,540, respectively for the year ended December 31, 2010.

4. Property Tax

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

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

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

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

5. Debt

Debt outstanding at December 31, 2011 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|------------------------|----------------------|
| First National Bank of Dennison - Truck Loan | \$7,900 | 5% |
| First National Bank of Dennison - Backhoe Loan | <u>30,462</u> | 4.42% |
| Total | <u><u>\$38,362</u></u> | |

The Truck loan was issued in August of 2004 for \$55,000. The loan will be paid off in annual payments of \$7,850 plus interest. The final payment will be made in March of 2012.

The Backhoe loan was issued in March of 2009 for \$50,762. The loan will be paid off in annual payments of \$10,150 plus interest. The final payment will be for \$10,162 plus interest. The final payment will be made in March of 2014. Amortization of the above debt, including interest, is scheduled as follows:

| Year ending December 31: | <u>Truck Loan</u> | <u>Bakchoe Loan</u> |
|--------------------------|-----------------------|------------------------|
| 2012 | \$8,302 | \$11,554 |
| 2013 | | 11,099 |
| 2014 | | <u>10,617</u> |
| Total | <u><u>\$8,302</u></u> | <u><u>\$33,270</u></u> |

6. Retirement Systems

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

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

7. Risk Management

Risk Pool Membership

Prior to 2009, the Township belonged to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its member governments.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

7. Risk Management (Continued)

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Risk Management Plan;
- Ohio Plan Healthcare Consortium, Inc. (OPHC) - formerly known as the Ohio Healthcare Consortium; and
- Ohio Plan, Inc. - mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Township participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Township does not participate participates in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

7. Risk Management (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

| | 2010 | | 2009 | |
|-----------------|--------------------|------------------|--------------------|------------------|
| | OPRM | OPHC | OPRM | OPHC |
| Assets | \$12,036,541 | \$1,355,131 | \$11,176,186 | \$1,358,802 |
| Liabilities | (4,845,056) | (1,055,096) | (4,852,485) | (1,253,617) |
| Members' Equity | <u>\$7,191,485</u> | <u>\$300,035</u> | <u>\$6,323,701</u> | <u>\$105,185</u> |

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, www.ohioplan.org.

8. Jointly Governed Organizations

Tri-County Ambulance District (the Ambulance District)

The Ambulance District provides emergency medical services for the Township. The Ambulance District is directed by an appointed six-member Board of Directors. One board member is appointed by each political subdivision within the Ambulance District. Those subdivisions are Oxford, Salem, Perry, and Washington Townships; and the Villages of Port Washington and Newcomerstown. The Ambulance District provides emergency medical services to citizens within those areas. During 2011 and 2010, the Township paid \$5,667 in total to the Ambulance District.

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Dave Yost • Auditor of State

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

Washington Township
Tuscarawas County
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

To the Board of Trustees:

We have audited the financial statements of Washington Township, Tuscarawas County, Ohio (the Township) as of and for the years ended December 31, 2011 and December 31, 2010, and have issued our report thereon dated August 13, 2012 wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America and our opinion was adverse because health insurance, property tax reimbursements and other reimbursements were posted to incorrect funds. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-007 described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2011-001 through 2011-006.

We did note certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 13, 2012.

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



Dave Yost
Auditor of State

August 13, 2012

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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1. **Ohio Rev. Code Section 5705.41(D)**

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| <i>Finding Number</i> | 2011-001 |
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision’s Fiscal Officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. “Then and Now” Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made (“then”), and at the time that the Fiscal Officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal Officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

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.

During 2011 and 2010, the Township did not utilize purchase orders for any expenditures. Failure to utilize purchase orders, which certify the availability of funds, can result in overspending funds and negative cash fund balance. The Fiscal Officer should try to issue purchase orders before entering into the purchase commitment.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursement and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the 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 Fiscal Officer should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41-(D) requires to authorize disbursements. The Fiscal Officer should also sign the certification prior to the Township incurring a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Also, the Fiscal Officer should encumber all transactions at year end that will be billed for at the end of one fiscal year, but not be paid for until the next fiscal year. By encumbering these expenses, the Township will be able to assure that all expenses are paid for in their appropriate fiscal year.

2. **Ohio Rev. Code Section 117.38**

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| <i>Finding Number</i> | 2011-002 |
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NONCOMPLIANCE

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and - (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Township did prepare the Annual Financial Report, but did not file it with the Auditor of the State's office in 2011 and 2010. In addition, there was no evidence (per the reading of the Minutes) presented for the audit that indicated the Township published a notice in a local newspaper stating the financial report is available for public inspection.

The Annual Financial Report should be compiled from the Township's accounting system and be reconciled. In addition, the Township should publish a notice in a local newspaper that the financial report is available for public inspection and file the Annual Financial Report with the Auditor of State within 60 days of the fiscal year end.

3. **Ohio Rev. Code Section 5705.41(B)**

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| <i>Finding Number</i> | 2011-003 |
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

During 2011 and 2010, the Township did not approve annual appropriations as evidenced in the minute records. As a result, 2011 and 2010 annual appropriations were \$0 causing expenditures to exceed appropriations in all funds ranging between \$5,000 and \$130,000 and \$11,000 and \$145,000, respectively. As a result, there is an increased risk the township could incur deficit cash fund balances.

The Board of Trustees should approve annual appropriations as evidenced in the minutes. This will help reduce the risk the township could overspend and create deficit cash fund balances.

4. **26 U.S.C. 3402**

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| <i>Finding Number</i> | 2011-004 |
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NONCOMPLIANCE

26 U.S.C Section 3402 states that except as otherwise provided in this section, every employer making payments of wages shall deduct and withhold such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary. Furthermore, **26 U.S.C Section 3403** states that a employer shall be liable for the payment of the tax required to be deducted and withheld under this chapter, and shall not be liable to any person for the amount of any such payment. Also, **Ohio Revised Code Section 5747.06(A)** states that except as provided in division (E)(3) of this section, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

During 2011, the Township withheld \$2,788, \$932, and \$1,306 in federal income, Medicare, and state income tax, respectively. Also, during 2010, the Township withheld \$2,019, \$914, and \$1,139 in federal income, Medicare, and state income tax, respectively. During the audit period three payments were made to the U.S. Treasury for federal income tax:

| <u>Warrant Number</u> | <u>Date</u> | <u>Amount</u> |
|-----------------------|-------------|---------------|
| 2040 | 3/23/2010 | 799.92 |
| 2044 | 3/23/2010 | 994.17 |
| 2090 | 6/22/2010 | 942.06 |

Warrant 2040 had supporting documentation attached stating the payment was for delinquent tax amounts for tax periods March 31, 2009, June 30, 2009, and September 30, 2009. Additionally, the Township was required to pay interest and penalty fees on the delinquent tax amounts. The following table calculates the total amount of interest and penalties paid by the Township.

| Tax Period Date | Interest & Penalty Fees |
|------------------------|------------------------------------|
| March 31, 2009 | \$43.57 |
| June 30, 2009 | \$22.75 |
| September 30, 2009 | \$11.38 |
| Total Fees Paid | \$77.70 |

The interest and penalty amounts were obtained from their respective invoices. By not paying the federal income taxes on time, the Township had to pay an additional \$78 to the U.S. Treasury. This payment amount could have been avoided if the Township paid their taxes on time.

Additionally, it was noted no payments were made for federal income taxes after June 2010 through 2011.

The Township should pay income taxes withheld from employees to the appropriate federal and state agencies timely. Additionally, the Township should review their payroll records and make payment on any unpaid income taxes due. This will help ensure the Township complies with various federal and state laws and prevent it from paying unnecessary interest and penalty fees.

This matter will be referred to the Internal Revenue Service and State of Ohio Treasurer for whatever action is deemed necessary.

5. **Ohio Rev. Code Chapter 133**

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| <i>Finding Number</i> | 2011-005 |
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NONCOMPLIANCE

Ohio Rev. Code Chapter 133 allows various methods for subdivisions to incur debt. Section 133.22 allows a subdivision to issue anticipatory securities; Section 133.10 allows anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision; Section 133.14 allows the issuance of securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct; and Section 133.18 allows the taxing authority of a subdivision by legislation to submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

The Board of Trustees and Fiscal Officer signed a bank loan with First National Bank of Dennison for a 2004 truck loan and a 2009 backhoe loan totaling \$55,000 and \$50,762, respectively. This debt is a bank loan between a banking institution and the Township, and as such, the notes do not meet the requirements set forth in Ohio Revised Code Chapter 133.

The Ohio Revised Code contains various methods of incurring debt for Townships. Installment loans with banking institutions are not legal methods of debt for Townships. The Board of Trustees should consult with the Township's legal counsel prior to the Township incurring future debt.

6. **Finding for Recovery - Ohio Rev. Code Sections 149.43(B) and 149.351(A)**

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| <i>Finding Number</i> | 2011-006 |
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NONCOMPLIANCE

Ohio Revised Code Section 149.43(B) states "all public records shall be promptly prepared and made available for inspection to any person at all reasonable times during regular business hours...In order to facilitate broader access to public records, public offices shall maintain public records in a manner that they can be made available for inspection."

Ohio Revised Code Section 149.351 (A) establishes guidelines against the destruction or damage of records and states, "All records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law."

During 2011 and 2010, the former Fiscal Officer, Karla Bierbower, was reimbursed for mileage incurred on a personal vehicle even though the Board of Trustee did not establish a mileage reimbursement policy or grant specific authorization for the Fiscal Officer to be reimbursed as evident in the minute records. The former Fiscal Officer reimbursed herself \$20 per trip for 38 trips and \$16 for another 13 trips to the City of Dover branch of the First National Bank of Dennison and to the Tuscarawas County Courthouse in the City of New Philadelphia. Additionally, the former Fiscal Officer's regular job coincidentally is in the City of Dover and nearby City of New Philadelphia; therefore, the trips to the bank or courthouse were made while going to and from work. Therefore, travel was not just for Township business; and, thus, reimbursement was not for a proper public purpose.

Also throughout 2011 and 2010, the former Fiscal Officer reimbursed herself \$143 for various supplies and another \$852 for unknown expenditures. No supporting documentation such as invoices was presented for audit. Without proper supporting documentation, it is not possible to determine if the expenditures were for items that could or could not be considered a proper public purpose. The failure to maintain adequate support for these expenditures resulted in a loss of accountability over the Township's finances.

Overall, the former Fiscal Officer received unauthorized or unsupported reimbursements totaling \$1,963 (\$20 x 38 trips = \$760, \$16 x 13 trips = \$208, \$143 for unsupported supply reimbursements and \$852 for undocumented expenditures).

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies improperly expended is hereby issued against Karla Bierbower, former Fiscal Officer and the Selective Insurance Company of America, bonding company, jointly and severally, in the amount of \$1,963 in favor of Washington Township's General Fund.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. *Steward v. National Surety Co.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are secondarily liable for the loss incurred no matter whether such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen. Public officials will be liable if and to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. 1980 Op. Att’y Gen. No. 80-074.

Therefore, because certain Township Officers signed the warrants resulting in improper payments, the following are jointly and severally liable for the entire amount of \$1,963; Micah Hagan, Township Trustee; William Edwards, Township Trustee; and Timothy Kindle, Township Trustee; and the Ohio Plan Risk Management, Inc., their bonding company.

The Board of Trustees should adopt a mileage and miscellaneous expenditure reimbursement policy as evident in the minute records. This will help reduce the risk that unauthorized or unsupported reimbursements do not occur without being detected timely.

7. **Financial Reporting**

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| <i>Finding Number</i> | 2011-007 |
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MATERIAL WEAKNESS

As a result of audit procedures performed, errors were noted in the Township’s financial statements that required audit adjustments and reclassifications as follows:

- Health insurance paid as a benefit on behalf of the Trustees and Fiscal Officer in the amounts of \$39,107 and \$44,765 were paid out of the Gasoline Tax Fund in 2010 and 2011, respectively. The Gasoline Tax Fund’s revenues are restricted by **Ohio Rev. Code Section 5735.27 (A)(5)(d)** which requires gasoline tax monies received by a township to be used for the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest, and charges on obligations incurred pursuant to Ohio Rev. Code Section 5531.09, and paying costs apportioned to the township under Ohio Rev. Code Section 4907.47. Therefore, as these employees were paid from the General Fund and not for the purpose that gasoline tax revenue can be used for, the insurance payments should have been made from the General Fund and not the Gas Tax Fund.
- Principal and Interest payments of \$21,511 and \$20,656 were misclassified as Public Works expenditures in 2010 and 2011, respectively.

Sound financial reporting is the responsibility of the Fiscal Officer and Board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to help identify and correct errors and omissions. Additionally, revenue derived from gasoline tax should only be use for expenditures allowable under Ohio Rev. Code Section 5735.27 (A)(5)(d).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5735.27(A)(5)(d) a Finding for Adjustment for public monies incorrectly expended is hereby issued against the General Fund and in favor of the Gasoline Tax Fund in the amount of \$83,872.

Official's Response:

The client has elected not to respond to these comments.

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**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2009-001 | Ohio Rev. Code Section 9.38 – Money was not timely deposited | Yes | Finding No Longer Valid |
| 2009-002 | Ohio Rev. Code Section 117.38 – Requires than an annual report with the Auditor of State's | No | Not Corrected, See Schedule of Finding 2011-002 |
| 2009-003 | 26 Code of Federal Regulations Section 1.6041-2 – 1099 forms were note issued to independent contractors | Yes | Finding No Longer Valid |
| 2009-004 | Posting Receipts and Expenditures – Various revenues and expenditures were misclassified | No | Not Corrected, See Schedule of Finding 2011-007 and Management Letter |

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WASHINGTON TOWNSHIP

TUSCARAWAS 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
SEPTEMBER 11, 2012