

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

AUDIT REPORT

JANUARY 1, 2016 - DECEMBER 31, 2017



Dave Yost • Auditor of State

Board of Trustees
Washington Township
1958 Post Boy Road SW
Newcomerstown, Ohio 43832

We have reviewed the *Independent Auditors' Report* of Washington Township, Tuscarawas County, prepared by Wilson, Phillips & Agin, CPA's, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

October 24, 2018

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**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY
JANUARY 1, 2016 - DECEMBER 31, 2017**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

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

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Washington Township, Tuscarawas County, as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility For the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Washington Township, Tuscarawas County as of December 31, 2017 and 2016, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification over Fund Balances

During a prior audit covering 2011 and 2010, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$44,765 and 39,107, respectively from the Gasoline Tax Fund. During 2013 and 2012, the Township paid health insurance for the Fiscal Officer and Trustees totaling \$4,839 and \$10,557, respectively from the Gasoline Tax Fund. Ohio Revised Code Section 5735.27(A)(5)(d) requires gasoline tax revenue to be used for the purposes of planning, maintaining, widening, and reconstructing the public roads and highways within the township, paying principal, interest and charges on obligations incurred pursuant to Ohio Revised Code Section 5531.09, and paying costs apportioned to the township under Ohio Revised Code Section 4907.47. These employees did not perform work consistent with allowable uses of the Gasoline Tax Fund.

During a prior audit covering 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. During 2013 and 2012, the Township received state property tax reimbursements for the road and bridge levy totaling \$778 and \$401, respectively in the General Fund. Ohio Revised 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.

During a prior audit covering 2011 and 2010, the Township received a \$3,124 reimbursement for an expenditure made from the Road & Bridge Fund; however, the money was posted to the General Fund. During 2012, the Township received a \$1,963 reimbursement for an expenditure made from the General Fund; however, the money was posted to the gasoline Tax Fund.

In 2015 and 2014, gasoline tax revenue of \$14,545 and \$23,496 were posted to the General Fund instead of the Gasoline Tax Fund.

Additionally, during 2013, the Township paid fire contract and general advertisement fees of \$2,989 from the OPWC Fund. Ohio Revised Code Section 5701.10(I) requires that money paid into any fund shall be used only for the purposes for which such fund is established. The OPWC Fund was funded by payments from the Tuscarawas County Engineer in lieu of support from OPWC. OPWC monies are used to pay for various infrastructure improvements. These payments were not consistent with the fund's purpose.

Had the Township agreed to these adjustments, the effect would have resulted in deficit General Fund cash balances at December 31, 2017 and 2016 totaling \$69,088 and \$101,942, respectively. The effects would have resulted in Special Revenue Fund cash balances at December 31, 2017 and 2016 totaling \$207,140 and \$199,479.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the Basis for Additional Opinion Qualification paragraph, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Washington Township, Tuscarawas County as of December 31, 2017 and 2016, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2018, on our consideration of Washington Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 24, 2018

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$ 128,961 | \$ 15,714 | \$ 144,675 |
| Intergovernmental | 34,643 | 98,109 | 132,752 |
| Charges for Services | - | 275 | 275 |
| Miscellaneous | 1,391 | 62,096 | 63,487 |
| Total Cash Receipts | <u>164,995</u> | <u>176,194</u> | <u>341,189</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 132,141 | - | 132,141 |
| Public Works | - | 168,308 | 168,308 |
| Health | - | 225 | 225 |
| Total Cash Disbursements | <u>132,141</u> | <u>168,533</u> | <u>300,674</u> |
| Net Change in Fund cash Balance | 32,854 | 7,661 | 40,515 |
| Fund Cash Balances, January 1 | <u>37,933</u> | <u>59,604</u> | <u>97,537</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 67,265 | 67,265 |
| Unassigned (Deficit) | 70,787 | - | 70,787 |
| Fund Cash Balances, December 31 | <u>\$ 70,787</u> | <u>\$ 67,265</u> | <u>\$ 138,052</u> |

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**STATEMENT OF FUND BALANCE (CASH BASIS)
AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

| | <u>Agency</u> |
|--|-----------------|
| Fund Cash Balances, January 1 | \$ 2,858 |
| Fund Cash Balances, December 31 | <u>\$ 2,858</u> |

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. REPORTING ENTITY

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Tuscarawas County, (the Township) as a body corporate and politic. A publically-elected three-member Board of Trustees directs the Township. The Township general government services, road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Newcomerstown Emergency Rescue Squad, Inc. to provide fire protection services.

The Township participates in a public entity risk pool and two jointly governed organizations. Notes 6 and 7 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

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

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

Road and Bridge Fund – This fund receives real estate tax money to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, organization 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.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

D. 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 and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2017 appears in Note 3.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments

The Township's accounting basis includes investment 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.

F. Capital Assets

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

G. 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.

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

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.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2017 is as follows:

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 158,000 | \$ 164,995 | \$ 6,995 |
| Special Revenue | 112,000 | 176,194 | 64,194 |
| Total | \$ 270,000 | \$ 341,189 | \$ 71,189 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 195,933 | \$ 132,141 | \$ 63,792 |
| Special Revenue | 171,604 | 168,533 | 3,071 |
| Total | \$ 338,120 | \$ 300,674 | \$ 66,863 |

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.
Contrary to ORC 5705.41(B), the Township had funds where expenditures exceeded appropriations.

4. EQUITY IN POOLED CASH

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

| | |
|--------------------------------|------------|
| | 2017 |
| Demand Deposits | \$ 133,886 |
| STAR Ohio | 7,024 |
| Total Deposits and Investments | \$ 140,910 |

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

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 years.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

6. RISK MANAGEMENT (Continued)

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016, the latest information available.

| | |
|-------------------|---------------|
| | 2016 |
| Assets | \$ 14,765,712 |
| Liabilities | (9,531,506) |
| Retained Earnings | \$ 5,234,206 |

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

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2017, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2017.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

10. JOINTLY GOVERNED ORGANIZATIONS

Tri-County Ambulance District

The Tri County 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 citizens within those areas. During 2017, no monies were paid to the Ambulance District.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

10. JOINTLY GOVERNED ORGANIZATIONS

Tuscarawas County Regional Planning Commission

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2017, \$132 was paid to the Commission by the Township for each year.

11. HEALTH INSURANCE

The Township provides health insurance to all employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|--|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Property and Other Local Taxes | \$ 121,875 | \$ 14,484 | \$ 136,359 |
| Intergovernmental | 30,524 | 93,124 | 123,648 |
| Charges for Services | - | 275 | 275 |
| Earnings on Investments | 33 | - | 33 |
| Miscellaneous | 5,583 | 20,004 | 25,587 |
| Total Cash Receipts | <u>158,015</u> | <u>127,887</u> | <u>285,902</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 134,930 | - | 134,930 |
| Public Safety | 2,975 | - | 2,975 |
| Public Works | - | 131,346 | 131,346 |
| Health | - | 400 | 400 |
| Capital Outlay | - | 2,685 | 2,685 |
| Total Cash Disbursements | <u>137,905</u> | <u>134,431</u> | <u>272,336</u> |
| Net Change in Fund cash Balance | 20,110 | (6,544) | 13,566 |
| Fund Cash Balances, January 1 | <u>17,823</u> | <u>66,148</u> | <u>83,971</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | - | 59,604 | 59,604 |
| Unassigned (Deficit) | 37,933 | - | 37,933 |
| Fund Cash Balances, December 31 | <u>\$ 37,933</u> | <u>\$ 59,604</u> | <u>\$ 97,537</u> |

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**STATEMENT OF FUND BALANCE (CASH BASIS)
AGENCY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | <u>Agency</u> |
|--|-----------------|
| Fund Cash Balances, January 1 | \$ 2,858 |
| Fund Cash Balances, December 31 | <u>\$ 2,858</u> |

See notes to financial statements.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

1. REPORTING ENTITY

Description of the Entity

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The Township participates in a public entity risk pool and two jointly governed organizations. Notes 6 and 7 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

B. Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

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

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

Road and Bridge Fund – This fund receives real estate tax money to pay for constructing, maintaining, and repairing Township roads.

Motor Vehicle License Tax Fund – This fund receives gasoline tax monies to pay for constructing, maintaining, and repairing Township roads.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, organization 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.

C. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D). 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permit.

D. 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 and object level of control and appropriations may not exceed estimated resources. The Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

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

A summary of 2016 appears in Note 3.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments

The Township's accounting basis includes investment 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.

F. Capital Assets

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

G. 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.

H. Fund Balance

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

Nonspendable

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

Restricted

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

Committed

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

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.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2016 is as follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 150,130 | \$ 158,015 | \$ 7,885 |
| Special Revenue | 104,000 | 127,887 | 23,887 |
| Total | \$ 254,130 | \$ 285,902 | \$ 31,772 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 167,972 | \$ 137,905 | \$ 30,067 |
| Special Revenue | 170,148 | 134,431 | 35,717 |
| Total | \$ 338,120 | \$ 272,336 | \$ 65,784 |

Contrary to ORC 5705.41(D), the Township made expenditures prior to certification.
Contrary to ORC 5705.41(B), the Township had funds where expenditures exceeded appropriations.

4. EQUITY IN POOLED CASH

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

| | |
|--------------------------------|------------|
| | 2016 |
| Demand Deposits | \$ 93,442 |
| STAR Ohio | 6,953 |
| Total Deposits and Investments | \$ 100,395 |

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

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

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

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

The Township pays the State Workers' Compensation System a premium based on a rate of per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) – formerly known as 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 is legally separate from its member governments.

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.

OPRM coverage programs 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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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 years.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

6. RISK MANAGEMENT (Continued)

The Pools audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016, the latest information available.

| | |
|-------------------|---------------|
| | 2016 |
| Assets | \$ 14,765,712 |
| Liabilities | (9,531,506) |
| Retained Earnings | \$ 5,234,206 |

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

7. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.0% of participant's gross salaries. The Township has paid all contributions required through December 31, 2016.

8. POSTEMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

9. PUBLIC ENTITY RISK POOL

The Township belongs to the Ohio Government Risk Management Plan (the Plan) an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management plan. Member governments pay annual premiums to fund the Plan. The Plan pays judgments, settlements and other expenses resulting from covered claims exceeding the member's deductible.

10. JOINTLY GOVERNED ORGANIZATIONS

Tri-County Ambulance District

The Tri County 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 citizens within those areas. During 2016, no monies were paid to the Ambulance District.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

10. JOINTLY GOVERNED ORGANIZATIONS

Tuscarawas County Regional Planning Commission

The Commission is a statutorily created political subdivision of the State. The Commission is jointly governed among Tuscarawas County municipalities and townships. Each member's control over the operation of the Commission is limited to its representation on the board. The Commission makes studies, maps, plans, recommendation and reports concerning the physical, Environmental, social, economical and governmental characteristics, functions and services of the County. In 2016, \$132 was paid to the Commission by the Township for each year.

11. HEALTH INSURANCE

The Township provides health insurance to all employees through Tuscarawas County (County). The Township is invoiced their monthly premiums and the premiums are paid to the County. All risk transfers to the County.

**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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 Township Trustees:

We have audited, in accordance with auditing standards general accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Washington Township, Tuscarawas County as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated August 24, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We qualified our opinion on the General Fund and Special Revenue Fund types because adjustments for improperly recorded disbursements and revenue in unallowable funds were not posted.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered Washington Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2017-001, 2017-002, and 2017-003 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002, 2017-003, 2017-004 and 2017-005.

Purpose of this Report

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

Wilson, Phillips & Agin, CPA's, Inc.
Zanesville, Ohio
August 24, 2018

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Financial Reporting – Material Weakness

As a result of audit procedures performed, errors were noted in the Township’s financial statements that required audit reclassifications for which the financial statements have been adjusted:

- For 2017, Public Works disbursements totaling \$168, 308 in the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund were incorrectly reported as either General Government or Other Disbursements. Also \$2,975 was recorded in the General Fund for Public Safety from Other Disbursements;
- For 2016, Public Works disbursements totaling \$131,346 in the Motor Vehicle License Tax Fund, Gasoline Tax Fund and Road and Bridge Fund were incorrectly reported as either General Government or Other Disbursements;
- For 2016, Capital Outlay disbursements of \$2,685 was incorrectly posted to either General Government or Other Disbursements.
- For 2017 and 2016, Cemetery expenditures in the amount of \$225 and \$400, respectively were incorrectly posted to Other Expense instead of Health.
- For 2017, we had to gross up the Property and Other Local Taxes by \$3,248 and \$262, respectively for the General Fund and Road & Bridge Fund along with the corresponding entry to disbursements as it was recorded at net.
- For 2016, we had to gross up the Property and Other Local Taxes by \$3,467 and \$254, respectively for the General Fund and Road & Bridge Fund along with the corresponding entry to disbursements as it was recorded at net.

Sound financial reporting is the responsibility of the Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. As the Township has one employee performing the finance function, the Township lacked proper segregation within the finance function to create an effective control environment. Board oversight of all financial activity is essential to compensate for these risks and create an effective control environment.

To help ensure the Township’s financial statements and notes to the financial statements are complete and accurate and to improve the Board oversight function, the Fiscal Officer should submit monthly financial reports that include, at a minimum, the following information:

- Revenue Ledgers, by fund, with the details of each receipt including receipt number, amount, purpose, classification;
- Appropriation Ledgers, by fund and object code, with details of each disbursement, check number amount, and classification;
- Monthly invoices for approval including information on what fund the invoice will be paid from;
- Cash journals detailing the cash balance by each fund and in aggregate;
- Detailed bank to book reconciliation; and,
- Budget versus actual reports.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-001 (Continued)

Financial Reporting – Material Weakness (Continued)

In addition, the Board of Trustees should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions. The monthly review of the above listed reports, along with a final review of the statements and notes, will support a more appropriate control environment that will help deter, prevent and detect potential fraudulent activity. This will also help the Board effectively monitor and assess, on an on-going basis, the financial position of the Township, which will assist the Board in the decision making process.

Official's Response: We did not receive a response from Officials to this finding.

Finding Number 2017-002

Ohio Rev. Code § 117.38 – Noncompliance and Material Weakness

Ohio Rev. Code § 117.38 requires that each public office file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall contain the amount of collections and receipts, and accounts due from each source and the amount of expenditures for each purpose.

The 2017 and 2016 Cash Basis Annual Financial Reports (Annual Report) were prepared by the Township and presented for audit. Errors and omissions were identified within each report.

We were able to use the Township's accounting records which consisted of Cash Journal, Receipt Ledgers and Appropriations Ledger as support for the actual financial information of the Township.

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.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

Finding Number 2017-002 (Continued)

Ohio Rev. Code § 117.38 – Noncompliance and Material Weakness (Continued)

To help ensure the Township's Annual Reports are correct, the Township adopt policies and procedures for the review of these reports prior submission. These procedures should include, but are not limited to, the following:

- Review of the mathematical accuracy of each statement;
- Reconciliation of the Special Revenue Funds activity on the Combined Statement to the funds reported on the Combining Statement;
- Reconciliation of all information to the Township's manual accounting records to ensure the completeness and accuracy of the Annual Reports;
- Review of the classification of each fund to determine they are reported within the correct fund type (Governmental Funds including General, Special Revenue, Capital Projects, Debt Service and Permanent Fund types; proprietary funds including Enterprise and Internal Service fund types; fiduciary funds including Agency and Trust Fund types).

This will help ensure the accuracy and completeness of the Annual Reports prepared and submitted by the Township.

The financial statements have been adjusted utilizing the accounting records of the Township.

Official's Response: We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

Finding Number 2017-003

Ohio Admin. Code § 117-2-02-(C) (1) – Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02-(C) (1) requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system in order to effectively maintain the accounting and budgetary records. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Township utilized a manual financial accounting system which was capable of integrating budgetary and actual financial information at the legal level of budgetary control. The Receipts Ledgers included columns for recording estimated revenue and receivable balances; the Appropriations Ledgers included columns for recording and appropriations and unspent appropriations. However, the Township did not integrate the required estimated revenue and appropriations into these ledgers. As a result, the following budgetary activity was not reported within their manual financial accounting system:

- 2017 estimated revenue of \$158,000 and \$112,000 in the General Fund and Special Revenue Funds, respectively;
- 2016 estimated revenue of \$150,130 and \$104,000 in the General Fund and Special Revenue Funds, respectively;
- 2017 Appropriations of \$195,933 and \$171,604 in the General Fund and Special Revenue Funds, respectively;
- 2016 appropriations of \$167,972 and \$170,148 in the General Fund and Special Revenue Funds, respectively.

Inaccurately posted budgetary information could lead to errors in the reporting of budgetary information in the notes to the financial statements. Additionally, the Board was not provided with budget versus actual reports throughout the year which would provide the Board with essential information in making informed financial decisions.

The Township should integrate all budgetary information, including Tuscarawas County Budget Commission approved estimated revenue and Board approved appropriations, into their manual financial accounting system. Once integrated, the Board should review budget versus actual information at each meeting and approve these reports. This will help to ensure that budgetary amounts are accurately reported and provide accurate versus actual comparisons allowing the Board of Trustees to make informed financial decisions.

The notes to the financial statements have been corrected to report approved estimated revenue and appropriations.

Official's Response: We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

Finding Number 2017-004

Ohio Rev. Code § 5705.41 (D) – Noncompliance

Ohio Rev. Code § 5705.41 (D) requires that no subdivisions or taxing unit shall make any contract or give any other 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 needs to 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 payment of any amount due thereon. There are several exceptions to the standard requirement stated above that the 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 §§ 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 with 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 Certification – 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 2017 and 2016, 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 issue purchase orders before entering into the purchase commitment.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number 2017-004 (Continued)

Ohio Rev. Code § 5705.41 (D) – Noncompliance (Continued)

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 disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify 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 § 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.

Official’s Response: We did not receive a response from Officials to this finding.

Finding Number 2017-005

Noncompliance – Expenditures Exceeding Appropriations

Ohio Revised Code Section 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had the following funds which had expenditures greater than appropriation authority.

| | | Appropriation | | | |
|-----------------------|------|---------------|--------------|-------------|--|
| Fund | Year | Authority | Expenditures | Variance | |
| Road & Bridge | 2017 | \$ 25,485 | \$ 77,972 | \$ (52,487) | |
| Misc. Special Revenue | 2016 | 1,914 | 20,385 | (18,471) | |

We recommend the Trustees review expenditures versus appropriation authority throughout the year. Also, the Trustees should not approve expenditures greater than appropriations. This results in the Township spending more money than it appropriated and could cause possible negative fund balances.

Official’s Response: We did not receive a response from Officials to this finding.

**WASHINGTON TOWNSHIP
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2017 AND 2016**

| Finding Number | Finding Summary | Fully Corrected | Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|-----------------|--|
| 2015-001 | Material Weakness Financial reporting reclassifications and | No | Not Corrected: Cited in current report as finding 2017-001 |
| 2015-002 | Material Weakness and noncompliance ORC 117.38 financial reports | No | Not Corrected: Cited in current report as finding 2017-002 |
| 2015-003 | Material Weakness Noncompliance/Finding for adjustment - Gas Fund | No | Finding No Longer Valid |
| 2015-004 | Material Weakness Noncompliance Budgetary Amounts | No | Not Corrected: Cited in current report as finding 2017-003 |
| 2015-005 | Noncompliance ORC 5705.41(D) Prior Certification | No | Not Corrected: Cited in current report as finding 2017-004 |



Dave Yost • Auditor of State

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
NOVEMBER 8, 2018