



OHIO AUDITOR OF STATE
KEITH FABER



**WASHINGTON TOWNSHIP
PAULDING COUNTY
DECEMBER 31, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

Washington Township
Paulding County
2523 Road 173
Grover Hill, Ohio 45849

To the Board of 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 Washington Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017.

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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 of America (GAAP), 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 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 the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Washington Township, Paulding County, Ohio as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 4, 2019

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$41,589 | \$52,357 | | \$93,946 |
| Licenses, Permits and Fees | | 5,015 | | 5,015 |
| Intergovernmental | 25,431 | 113,557 | | 138,988 |
| Earnings on Investments | 245 | 15 | | 260 |
| Miscellaneous | 771 | 3,760 | | 4,531 |
| <i>Total Cash Receipts</i> | <u>68,036</u> | <u>174,704</u> | | <u>242,740</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 43,131 | 5,566 | | 48,697 |
| Public Safety | | 15,966 | | 15,966 |
| Public Works | 2,300 | 70,744 | | 73,044 |
| Health | 3,900 | 18,145 | | 22,045 |
| Other | | 361 | | 361 |
| Capital Outlay | | 62,255 | | 62,255 |
| Debt Service: | | | | |
| Principal Retirement | | 11,357 | | 11,357 |
| Interest and Fiscal Charges | | 451 | | 451 |
| <i>Total Cash Disbursements</i> | <u>49,331</u> | <u>184,845</u> | | <u>234,176</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>18,705</u> | <u>(10,141)</u> | | <u>8,564</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 21,980 | | 21,980 |
| Transfers Out | (21,980) | | | (21,980) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(21,980)</u> | <u>21,980</u> | | |
| <i>Net Change in Fund Cash Balances</i> | (3,275) | 11,839 | | 8,564 |
| <i>Fund Cash Balances, January 1</i> | <u>97,054</u> | <u>248,958</u> | <u>\$3,758</u> | <u>349,770</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 260,797 | | 260,797 |
| Committed | | | 3,758 | 3,758 |
| Assigned | 59,637 | | | 59,637 |
| Unassigned | 34,142 | | | 34,142 |
| <i>Fund Cash Balances, December 31</i> | <u>\$93,779</u> | <u>\$260,797</u> | <u>\$3,758</u> | <u>\$358,334</u> |

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

WASHINGTON TOWNSHIP
PAULDING COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Fiduciary Fund Type |
|---|--------------------------|
| | Private Purpose Trust |
| Operating Cash Receipts | |
| Earnings on Investments | \$93 |
| Operating Cash Disbursements | |
| Other | 50 |
| <i>Net Change in Fund Cash Balances</i> | 43 |
| <i>Fund Cash Balances, January 1</i> | 24,139 |
| <i>Fund Cash Balances, December 31</i> | <u>\$24,182</u> |

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

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Paulding County, (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 and cemetery maintenance. The Township contracts with the Villages of Oakwood and Grover Hill to provide ambulance and fire protection services, and with the Ottoville Community Fire Company for fire protection services.

Public Entity Risk Pool

The Township participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 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.

Note 2 – Summary of Significant Accounting Policies

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 the fiduciary fund type which are organized on a fund type basis.

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 Funds:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road District Fund The road district fund accounts for and reports property tax money for constructing, maintaining, and repairing Township roads.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Permanent Improvement-Culvert Replacement Fund The Township received a grant from the County in a prior year to pay for maintaining culverts within the Township.

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.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

The Township's private purpose trust funds account for programs that maintain cemetery gravesites. The Township had the following significant Fiduciary Fund:

Mericle Private Purpose Trust Fund This fund was established as a trust fund for the maintenance and upkeep of the mausoleum on behalf of Calvin C. Mericle.

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 Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03 (D) permit.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

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.

The Township values certificates of deposit at cost.

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.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

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.

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.

Note 3 – Compliance

Contrary to Ohio Rev. Code Chapter 133, the Township made principal payments on a type of debt it has no statutory authority to incur.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$65,869 | \$68,036 | \$2,167 |
| Special Revenue | 182,660 | 196,684 | 14,024 |
| Capital Projects | 20,000 | | (20,000) |
| Trust | 110 | 93 | (17) |
| Total | \$268,639 | \$264,813 | (\$3,826) |

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$118,630 | \$71,311 | \$47,319 |
| Special Revenue | 264,686 | 184,845 | 79,841 |
| Capital Projects | 15,000 | | 15,000 |
| Trust | 1,510 | 50 | 1,460 |
| Total | \$399,826 | \$256,206 | \$143,620 |

Note 5 – Deposits

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:

| | |
|-------------------------|-----------|
| | 2018 |
| Demand deposits | \$291,896 |
| Certificates of deposit | 90,620 |
| Total deposits | \$382,516 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 7 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available):

| | |
|-----------------|--------------------|
| Assets | \$14,853,620 |
| Liabilities | <u>(9,561,108)</u> |
| Members' Equity | <u>\$5,292,512</u> |

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Note 10 – Debt

Debt outstanding at December 31, 2018, was as follows:

| | Principal | Interest Rate |
|-----------------|-----------|---------------|
| Dump Truck Loan | \$3,701 | 2.90% |
| Tractor Loan | 6,197 | 2.75% |
| Total | \$9,898 | |

The Township obtained a bank loan in 2014 to finance the purchase of a new dump truck for Township road maintenance. The Township is repaying the loan in monthly payments of \$534, including interest, over five years. The loan is secured by the vehicle financed with the loan proceeds.

The Township obtained a bank loan in 2015 to finance the purchase of a new tractor for Township road maintenance. The Township is repaying the loan in monthly payments of \$450, including interest, over five years. The loan is secured by the vehicle financed with the loan proceeds.

Amortization

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

| | Dump Truck Loan | Tractor Loan | Total |
|--------------------------|--------------------|-----------------|----------|
| Year ending December 31: | | | |
| 2019 | \$3,737 | \$5,403 | \$9,140 |
| 2020 | 901 | 901 | 901 |
| | \$3,737 | \$6,304 | \$10,041 |

Note 11 – Interfund Transfers

The Township transferred \$21,980 from the General Fund to the Road District Fund to purchase road related work during the year.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget required to expend them. Transfers are also used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

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

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|---|-----------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$39,944 | \$50,122 | | \$90,066 |
| Licenses, Permits and Fees | | 10,585 | | 10,585 |
| Intergovernmental | 25,465 | 114,413 | | 139,878 |
| Earnings on Investments | 135 | 19 | | 154 |
| Miscellaneous | 808 | 11,214 | | 12,022 |
| <i>Total Cash Receipts</i> | <u>66,352</u> | <u>186,353</u> | | <u>252,705</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 46,502 | 4,791 | | 51,293 |
| Public Safety | | 15,767 | | 15,767 |
| Public Works | 1,581 | 87,394 | | 88,975 |
| Health | 3,340 | 18,380 | | 21,720 |
| Other | | 445 | | 445 |
| Capital Outlay | | 67,694 | | 67,694 |
| Debt Service: | | | | |
| Principal Retirement | 3,680 | 7,360 | | 11,040 |
| Interest and Fiscal Charges | 256 | 512 | | 768 |
| <i>Total Cash Disbursements</i> | <u>55,359</u> | <u>202,343</u> | | <u>257,702</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>10,993</u> | <u>(15,990)</u> | | <u>(4,997)</u> |
| Other Financing Receipts (Disbursements) | | | | |
| Transfers In | | 31,336 | | 31,336 |
| Transfers Out | (31,336) | | | (31,336) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(31,336)</u> | <u>31,336</u> | | |
| <i>Net Change in Fund Cash Balances</i> | <u>(20,343)</u> | <u>15,346</u> | | <u>(4,997)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>117,397</u> | <u>233,612</u> | <u>\$3,758</u> | <u>354,767</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 248,958 | | 248,958 |
| Committed | | | 3,758 | 3,758 |
| Assigned | 52,761 | | | 52,761 |
| Unassigned | 44,293 | | | 44,293 |
| <i>Fund Cash Balances, December 31</i> | <u>\$97,054</u> | <u>\$248,958</u> | <u>\$3,758</u> | <u>\$349,770</u> |

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

WASHINGTON TOWNSHIP
PAULDING COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017

| | Fiduciary Fund Type |
|---|----------------------------------|
| | <u>Private Purpose Trust</u> |
| Operating Cash Receipts | |
| Earnings on Investments | <u>\$53</u> |
| Operating Cash Disbursements | |
| Other | <u>50</u> |
| <i>Net Change in Fund Cash Balances</i> | 3 |
| <i>Fund Cash Balances, January 1</i> | <u>24,136</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$24,139</u></u> |

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

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Paulding County, (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 and cemetery maintenance. The Township contracts with the Villages of Oakwood and Grover Hill to provide ambulance and fire protection services, and with the Ottoville Community Fire Company for fire protection services.

Public Entity Risk Pool

The Township participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 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.

Note 2 – Summary of Significant Accounting Policies

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 the fiduciary fund type which are organized on a fund type basis.

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 Funds:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Road District Fund The road district fund accounts for and reports property tax money for constructing, maintaining, and repairing Township roads.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Permanent Improvement-Culvert Replacement Fund The Township received a grant from the County in a prior year to pay for maintaining culverts within the Township.

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.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

The Township's private purpose trust funds account for programs that maintain cemetery gravesites. The Township had the following significant Fiduciary Fund:

Mericle Private Purpose Trust Fund This fund was established as a trust fund for the maintenance and upkeep of the mausoleum on behalf of Calvin C. Mericle.

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 Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 Section 117-2-03 (D) permit.

Budgetary Process

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

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

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

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.

The Township values certificates of deposit at cost.

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.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

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.

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.

Note 3 – Compliance

Contrary to Ohio Rev. Code Chapter 133, the Township made principal payments on a type of debt it has no statutory authority to incur. In addition, contrary to Ohio Rev. Code § 5705.10(D), the Township recorded permissive tax receipts and disbursements in the wrong fund.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

| 2017 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$64,460 | \$66,352 | \$1,892 |
| Special Revenue | 181,110 | 217,689 | 36,579 |
| Capital Projects | 20,000 | | (20,000) |
| Private Purpost Trust | 110 | 53 | (57) |
| Total | \$265,680 | \$284,094 | \$18,414 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$106,673 | \$86,695 | \$19,978 |
| Special Revenue | 273,885 | 202,343 | 71,542 |
| Capital Projects | 23,750 | | 23,750 |
| Trust | 1,510 | 50 | 1,460 |
| Total | \$405,818 | \$289,088 | \$116,730 |

Note 5 – Deposits

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 | \$283,341 |
| Certificates of deposit | 90,568 |
| Total deposits | \$373,909 |

Deposits

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

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 7 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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. 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. Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017:

| | |
|-----------------|--------------------|
| Assets | \$14,853,620 |
| Liabilities | <u>(9,561,108)</u> |
| Members' Equity | <u>\$5,292,512</u> |

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

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017, was as follows:

| | Principal | Interest Rate |
|-----------------|-----------|---------------|
| Dump Truck Loan | \$9,902 | 2.90% |
| Tractor Loan | 11,353 | 2.75% |
| Total | \$21,255 | |

The Township obtained a bank loan in 2014 to finance the purchase of a new dump truck for Township road maintenance. The Township is repaying the loan in monthly payments of \$534, including interest, over five years. The loan is secured by the vehicle financed with the loan proceeds.

The Township obtained a bank loan in 2015 to finance the purchase of a new tractor for Township road maintenance. The Township is repaying the loan in monthly payments of \$450, including interest, over five years. The loan is secured by the vehicle financed with the loan proceeds.

Amortization

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

| | Dump Truck Loan | Tractor Loan | Total |
|--------------------------|--------------------|-----------------|----------|
| Year ending December 31: | | | |
| 2018 | \$6,406 | \$5,403 | \$11,809 |
| 2019 | 3,736 | 5,403 | 9,139 |
| 2020 | | 901 | 901 |
| | \$10,142 | \$11,707 | \$21,849 |

Note 11 – Interfund Transfers

The Township transferred \$31,336 from the General Fund to the Road District Fund to purchase road related work during the year.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget required to expend them. Transfers are also used to move unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 12 – Miscellaneous Receipts

Miscellaneous receipts in the Special Revenue Fund primarily consisted of cemetery lot sales, Bureau of Worker’s Compensation receipts, and donations.

OHIO AUDITOR OF STATE KEITH FABER



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

Washington Township
Paulding County
2523 Road 173
Grover Hill, Ohio 45849

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Washington Township, Paulding County, Ohio (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated November 4, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Efficient • Effective • Transparent

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 and 2018-003.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 4, 2019

**WASHINGTON TOWNSHIP
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, (codified as GASB Cod 1800.165-.179) introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Although the Township implemented GASB No. 54, the Fiscal Officer did not always classify the fund balances correctly.

In 2018 and 2017, General Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned fund balance by \$59,637 and \$52,761, respectively.

These errors occurred as a result of management's lack of understanding of the proper classification of fund balances in accordance with GASB 54. A lack of properly classifying fund balances increases the risk fund balances may not be spent properly. The accompanying financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts and for additional reasons.

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 Fiscal Officer and Board, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

FINDING NUMBER 2018-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that "all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose."

The Township inappropriately recorded \$5,000 and \$2,639 of permissive tax receipts and disbursements, respectively, in the Permanent Improvement-Culvert Replacement Fund in 2017. Given the source of the revenue, this should have been recorded in the Motor Vehicle License Tax Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

FINDING NUMBER 2018-003

Noncompliance Citation

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22, a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10, permits a subdivision to issue 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.

Ohio Rev. Code § 133.15, a subdivision is authorized to issue 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.”

Ohio Rev. Code § 133.18, “the taxing authority of a subdivision, may by legislation 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.”

During 2018 and 2017, the Township made principal payments on outstanding bank loans in the amount of \$11,357 and \$11,040, respectively. The bank loans were used by the Township to purchase a dump truck and tractor.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions. Inadequate policies and procedures related to debt issuance can result in illegal expenditures by the Township.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Officials’ Response:

We did not receive a response from Officials to the findings reported above.

Washington Township
PAULDING COUNTY
2523 Road 173
Grover Hill, Ohio 45849

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018 AND 2017

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|--|--|
| 2016-001 | This finding was first reported in 2013. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements. | Not corrected and reissued as Finding 2018-001 in this report. | The Township declined to offer an explanation for why the finding reoccurred or their planned corrective action. |
| 2016-002 | Material weakness and noncompliance with Ohio Rev. Code § 5705.05 for improperly paying debt payments from the General Fund. | Corrective action taken and finding is fully corrected. | |
| 2016-003 | Material weakness and noncompliance with Ohio Rev. Code § 5705.10(E) for improperly posting debt proceeds and capital outlay disbursements in the General Fund instead of the Road District Fund. | Corrective action taken and finding is fully corrected. | |

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OHIO AUDITOR OF STATE KEITH FABER



WASHINGTON TOWNSHIP

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2019**