

***WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2012 & 2011





Dave Yost • Auditor of State

Board of Trustees
Washington Township
1853 Finley Chapel Road
Wellston, Ohio 45692

We have reviewed the *Report of Independent Accountants* of Washington Township, Jackson County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

Dave Yost
Auditor of State

July 1, 2013

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**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2012 and 2011**

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

Washington Township
Jackson County
1853 Finley Chapel Road
Wellston, Ohio 45692

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Washington Township, Jackson County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinions.

Basis for Adverse Opinion on Generally Accepted Accounting Principles

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis of 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, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Washington Township, Jackson County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements during 2011 Washington Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this mater.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2013 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.



Charles E. Harris & Associates, Inc.
June 12, 2013

WASHINGTON TOWNSHIP
 JACKSON COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 27,034	\$ 9,625	\$ -	\$ 36,659
Intergovernmental	21,315	95,909	55,525	172,749
Interest	646	31	4	681
Miscellaneous	1,860	-	-	1,860
Total Receipts	<u>50,855</u>	<u>105,565</u>	<u>55,529</u>	<u>211,949</u>
Disbursements:				
Current:				
General Government	72,900	-	-	72,900
Public Safety	3,950	-	-	3,950
Public Works	-	50,440	-	50,440
Leisure Time Activities	1,307	-	-	1,307
Public Health	-	6,790	-	6,790
Capital Outlay	-	-	30,002	30,002
Total Disbursements	<u>78,157</u>	<u>57,230</u>	<u>30,002</u>	<u>165,389</u>
Total Receipts Over(Under) Disbursements	(27,302)	48,335	25,527	46,560
Fund Balance January 1, 2012	<u>111,310</u>	<u>173,842</u>	<u>35,783</u>	<u>320,935</u>
Fund Cash Balances, December 31, 2012				
Restricted	-	222,177	61,310	283,487
Unassigned	84,008	-	-	84,008
Fund Balance December 31, 2012	<u>\$ 84,008</u>	<u>\$ 222,177</u>	<u>\$ 61,310</u>	<u>\$ 367,495</u>

See accompanying Notes to the Financial Statements.

WASHINGTON TOWNSHIP
 JACKSON COUNTY
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
 AND CHANGES IN FUND CASH BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Receipts:				
Property and Other Local Taxes	\$ 28,936	\$ 9,430	\$ -	\$ 38,366
Intergovernmental	19,125	99,089	52,212	170,426
Interest	250	500	-	750
Miscellaneous	1,969	-	-	1,969
Total Receipts	50,280	109,019	52,212	211,511
Disbursements:				
Current:				
General Government	71,285	-	-	71,285
Public Safety	3,200	-	-	3,200
Public Works	-	78,895	-	78,895
Public Health	-	7,958	-	7,958
Capital Outlay	-	-	40,522	40,522
Total Disbursements	74,485	86,853	40,522	201,860
Total Receipts Over(Under) Disbursements	(24,205)	22,166	11,690	9,651
Fund Balance January 1, 2011	135,515	151,676	24,093	311,284
Fund Cash Balances, December 31, 2011				
Restricted	-	173,842	35,783	209,625
Unassigned	111,310	-	-	111,310
Fund Balance December 31, 2011	\$ 111,310	\$ 173,842	\$ 35,783	\$ 320,935

See accompanying Notes to the Financial Statements.

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Washington Township, Jackson County (the Township) is a body corporate and politic established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Hamden and the City of Wellston to provide fire services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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.)

The statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. CASH

Investments are included in the fund cash balances. Accordingly, purchases of investments are not recorded as disbursements and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue funds:

- *Gasoline Tax Fund* – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.
- *Fire Fund* – This fund receives property tax proceeds to pay for the fire protection for the Township.

Capital Projects Funds: These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

- *Sales Tax Permanent Fund* – This fund receives a portion of the monies collected for sales tax from the County Auditor for permanent improvement and repayment of debt relating to capital expenditures.

E. BUDGETARY PROCESS

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

1. Appropriations

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

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. BUDGETARY PROCESS – (Continued)

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 4.

F. FUND BALANCE

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

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

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

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

4. Assigned- Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restrict 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 the Board of Trustees.

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. FUND BALANCE - (Continued)

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

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

G. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

H. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2012	2011
Demand Deposits	\$ 367,495	\$ 320,935

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

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

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 52,000	\$50,855	\$(1,145)
Special Revenue	109,300	105,565	(3,735)
Capital Projects	48,000	55,529	7,529

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

4. BUDGETARY ACTIVITY – (Continued)

2012 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 129,957	\$ 78,157	\$ 51,806
Special Revenue	167,000	57,230	109,770
Capital Projects	49,600	30,002	19,598

2011 Budgeted vs Actual Receipts

<u>Funds</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 48,000	\$ 50,280	\$ 2,280
Special Revenue	105,200	109,019	3,819
Capital Projects	50,000	52,212	2,212

2011 Budgeted vs Actual Budgetary Basis Disbursements

<u>Funds</u>	<u>Appropriation Authority</u>	<u>Budgetary Disbursements</u>	<u>Variance</u>
General	\$ 140,300	\$74,485	\$ 65,815
Special Revenue	173,000	86,853	86,147
Capital Projects	51,000	40,522	10,478

5. RETIREMENT SYSTEM

Employees of the Township belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a state operated, cost sharing, multiple employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2012 and 2011, members of OPERS contributed 10 percent of their wages. The Township contributes an amount equal to 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

6. RISK MANAGEMENT

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

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

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

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

**WASHINGTON TOWNSHIP
JACKSON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2012 and 2011**

6. RISK MANAGEMENT (Continued)

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$3,744	\$ 3,864

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

7. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

8. CHANGE IN ACCOUNTING PRINCIPLE

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances as previously reported.

9. BUDGETARY NONCOMPLIANCE

Contrary to **Ohio Rev. Code Section 5705.41(D)**, the Township did not obtain prior certification for expenditures.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Washington Township
Jackson County
1853 Finley Chapel Road
Wellston, Ohio 45692

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 Washington Township, Jackson County (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 12, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Township implemented Governmental Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

Internal Control Over Financial Reporting

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

Our consideration of internal 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. 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. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2012-001.

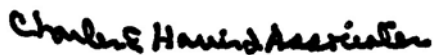
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 12, 2013.

Entity's Response to Finding

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

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.



Charles E. Harris & Associates, Inc.
June 12, 2013

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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**FINDING NUMBER 2012-001
Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

"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 resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution 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.

Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution 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.

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.

**WASHINGTON TOWNSHIP
JACKSON COUNTY**

**SCHEDULE OF FINDINGS – (Continued)
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)
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FINDING NUMBER 2012-001 – (Continued)

The Township did not properly certify the availability of funds prior to purchase commitment for 40 percent of the expenditures tested in 2012 and 63 percent tested in 2011, and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 that the Township Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Official's Response: We will implement as recommended.

**FINDING NUMBER 2012-002
Material Weakness**

Bank Reconciliation

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. For all of 2011, the Township did not reconcile their bank accounts. Without complete and accurate monthly bank reconciliations, the Township's internal control is weakened, which could hinder the detection of errors or irregularities by the Township's management in a timely manner.

During the latter half of 2012, the Township implemented the UAN accounting system and bank reconciliations were completed going forward but there was no evidence of Board review or approval.

The Township should perform and complete monthly bank reconciliations in a timely manner. Also, a copy of each month's bank reconciliation and the listing of outstanding checks should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month, and the Board of Trustees should sign and date the bank reconciliations to indicate that they have been reviewed.

Official's Response: We will implement as recommended.

**WASHINGTON TOWNSHIP
JACKSON COUNTY
DECEMBER 31, 2012 AND 2011**

SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-001	Ohio Rev. Code Section 5705.41(D)(1) - funds not being encumbered prior to purchase commitment during audit period.	No	Not Corrected: Reissued in current Schedule of Findings as 2012-001.
2010-002	Township had numerous incorrect accounting transactions during audit period.	Yes	No Longer Valid



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

JACKSON 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
JULY 11, 2013**