



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP
HARDIN COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Washington Township
Hardin County
1361 County Road 125
Dunkirk, Ohio 45836

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, Hardin County, (the Township) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. 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 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, 2015 and 2014, 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, Hardin County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

January 4, 2017

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$96,806	\$29,313	\$126,119
Licenses, Permits and Fees		3,825	3,825
Intergovernmental	22,016	99,741	121,757
Earnings on Investments	1,103	735	1,838
Miscellaneous	694	3,100	3,794
Total Cash Receipts	<u>120,619</u>	<u>136,714</u>	<u>257,333</u>
Cash Disbursements			
Current:			
General Government	109,678	6,906	116,584
Public Safety	182		182
Public Works		44,453	44,453
Health	10,240	1,032	11,272
Conservation-Recreation	2,816		2,816
Capital Outlay	9,412	3,077	12,489
Other	3,952		3,952
Intergovernmental	0	3,724	3,724
Total Cash Disbursements	<u>136,280</u>	<u>59,192</u>	<u>195,472</u>
Excess of Receipts Over (Under) Disbursements	<u>(15,661)</u>	<u>77,522</u>	<u>61,861</u>
Fund Cash Balances, January 1	<u>394,944</u>	<u>392,733</u>	<u>787,677</u>
Fund Cash Balances, December 31:			
Restricted		470,255	470,255
Assigned	207,357		207,357
Unassigned	171,926		171,926
Fund Cash Balances, December 31	<u>\$379,283</u>	<u>\$470,255</u>	<u>\$849,538</u>

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$74,974	\$16,847	\$91,821
Licenses, Permits and Fees		3,350	3,350
Intergovernmental	116,603	101,829	218,432
Earnings on Investments	1,164	776	1,940
Miscellaneous	2,479	400	2,879
Total Cash Receipts	<u>195,220</u>	<u>123,202</u>	<u>318,422</u>
Cash Disbursements:			
Current:			
General Government	115,414	7,602	123,016
Public Works	1,663	51,715	53,378
Health	10,667	4,488	15,155
Conservation-Recreation	136		136
Capital Outlay	137,778	3,108	140,886
Intergovernmental		2,174	2,174
Total Cash Disbursements	<u>265,658</u>	<u>69,087</u>	<u>334,745</u>
Excess of Receipts Over (Under) Disbursements	<u>(70,438)</u>	<u>54,115</u>	<u>(16,323)</u>
Fund Cash Balances, January 1	<u>465,382</u>	<u>338,618</u>	<u>804,000</u>
Fund Cash Balances, December 31:			
Restricted		392,733	392,733
Unassigned	394,944		394,944
Fund Cash Balances, December 31	<u>\$394,944</u>	<u>\$392,733</u>	<u>\$787,677</u>

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected fiscal officer. The Township provides general governmental services, road and bridge maintenance and cemetery maintenance.

The Township participates in three jointly governed organizations and the Ohio Township Association Risk Management Authority public entity risk pool. Notes 6 and 7 to the financial statements provide additional information for these entities. These organizations are:

1. Jointly Governed Organizations:

Blanchard Dunkirk Washington Joint Ambulance District – provides ambulance services within the Township.

Northern Hardin County Fire District – provides fire protection and rescue services within the Township and by contract outside the District.

Hardin County Regional Planning Commission - the Commission provides studies, maps, plans, recommendations, and reports concerning the physical environmental, social, economic, and governmental characteristics, functions, and services of the County.

2. Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA) – provides property and casualty coverage.

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

B. Accounting Basis

These financial statements follow the accounting basis 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.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Township did not hold any investments for the years ending December 31, 2015 and 2014.

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

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

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

E. Budgetary Process

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

1. 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.

2. 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.

3. 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 re-appropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

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. The classifications are as follows:

1. Non-spendable

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

4. 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.

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. Capital Assets

The Township records disbursements for acquisitions of capital assets when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED DEPOSITS

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

	<u>2015</u>	<u>2014</u>
Demand deposits	\$849,538	\$787,677

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$120,619	\$120,619
Special Revenue	0	136,714	136,714
Total	<u>\$0</u>	<u>\$257,333</u>	<u>\$257,333</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$136,280	(\$136,280)
Special Revenue	0	59,192	(59,192)
Total	<u>\$0</u>	<u>\$195,472</u>	<u>(\$195,472)</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$101,051	\$195,220	\$94,169
Special Revenue	114,497	123,202	8,705
Total	<u>\$215,548</u>	<u>\$318,422</u>	<u>\$102,874</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$265,658	(\$265,658)
Special Revenue	0	69,087	(69,087)
Total	<u>\$0</u>	<u>\$334,745</u>	<u>(\$334,745)</u>

Some property tax receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(C). Some restricted receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(D). The Township failed to pass an appropriation measure and obtain a certificate that appropriations from each fund do not exceed estimated resources which violated Ohio Revised Code Sections 5705.38(A) and 5705.39. The Township had expenditures in excess of appropriations which violated Ohio Revised Code Section 5705.41(B). The Township did not certify to the county auditor the total amount available for expenditures from each fund for 2015 which violated Ohio Revised Code Section 5705.36(A)(1).

4. PROPERTY TAX

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

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

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX (Continued)

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

The residents of the Township support the Hardin County Veteran's Memorial Park District (the Park) through an un-voted property tax levy. During 2015 and 2014, the Park received \$3,255 and \$1,872, respectively, in property tax and related homestead and rollback receipts as a result of the tax levy. The property tax money is reported in the Township's Special Revenue Park Levy Fund as Property Tax Receipts; the homestead and rollback revenue is reported as Intergovernmental Receipts; and the disbursements are reported as Intergovernmental in the accompanying financial statements. The receipts and disbursements are "memo" only activity since the Hardin County Auditor distributes the property taxes and related homestead and rollback receipts directly to the Park.

5. RETIREMENT SYSTEM

The Township's 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. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

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.

A. Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RISK MANAGEMENT (Continued)

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.

B. 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, 2015 and 2014:

	2015	2014
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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.

Contributions to OTARMA	
2015	2014
\$6,592	\$4,502

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. JOINTLY GOVERNED ORGANIZATIONS

A. Blanchard Dunkirk Washington Joint Ambulance District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. Those subdivisions are Blanchard Township, the Village of Dunkirk, and Washington Township. The District provides emergency medical and ambulance services within the District. Financial information can be obtained from Kathy Schroeder, Clerk at P.O. Box 95 Dunkirk Ohio 45836.

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Northern Hardin County Fire District

A three-member Board of Trustees governs the District. Each political subdivision within the District appoints one member. These subdivisions are Blanchard Township, the Village of Dunkirk, and Washington Township. The District provides fire protection and rescue services within the District and by contract to areas outside the District. Financial information can be obtained from Kathy Schroeder, Clerk at 12825 County Road 90, Kenton, Ohio 43326.

C. Hardin County Regional Planning Commission

A Board consisting of Hardin County and municipalities and townships within the County governs the Commission. The degree of control exercised by any participating government is limited to its representation on the Board.

The Commission makes studies, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

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Dave Yost • Auditor of State

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

Washington Township
Hardin County
1361 County Road 125
Dunkirk, Ohio 45836

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, Hardin County, (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2017 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 findings 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-003 described in the accompanying schedule of findings to be a significant deficiency.

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 2015-002 and 2015-003.

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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 4, 2017

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2015-001

Material Weakness – Financial Reporting

The Township should have controls and/or procedures in place to help prevent and detect errors in financial reporting.

The following errors were identified in December 31, 2015 financial statements and were adjusted in the accompanying financial statements:

- General Fund disbursements in the amount of \$7,537 were classified as other financing uses instead of general government, public safety, and health;
- General Fund property tax receipts has to be increased \$2,212 to record receipts at gross and the related county auditor, treasurer fees and health department deductions, had to be recorded to properly reflect gross property tax receipts and related deductions. Auditor fees, treasurer fees and health department deductions which were recorded, in the amount of \$4,095, were recorded as other financing uses instead of general government and health. Auditor and treasurer fees also had to be recorded in the Special Revenue Road & Bridge fund in the amount of \$547 to reflect gross property tax receipts and related deductions;
- Burial permits in the amount of \$3,825 were recorded as miscellaneous receipts in the Special Revenue Cemetery Fund instead of licenses, permits and fees;
- “Memo” property tax receipts, homestead and rollback receipts, and intergovernmental disbursements in the Special Revenue Park Levy Fund were understated by \$1,111, \$469, and \$1,580, respectively; and
- Subsequent year appropriations in the General Fund exceeded estimated receipts by \$207,357 in 2015. The excess of subsequent year appropriations over estimated receipts should be reported as assigned fund balance per GASB Statement No. 54, paragraph 16 (GASB Codification 1800.176).

The following errors were identified in December 31, 2014 financial statements and were adjusted in the accompanying financial statements:

- General Fund disbursements in the amount of \$7,837 were classified as other financing uses instead of general government and health;
- Homestead and rollback receipts in the amount of \$11,115 were recorded in the General Fund as property tax receipts instead of intergovernmental receipts;
- General Fund health and general government disbursements in the amount of \$10,397 had to be recorded to properly record the gross amount of property tax receipts and related deductions. Auditor and treasurer fees also had to be recorded in the Special Revenue Road & Bridge fund in the amount of \$361 to reflect gross property tax receipts and related deductions;
- Memo” property tax receipts, intergovernmental receipts, and intergovernmental disbursements in the Special Revenue Park Levy Fund were understated by \$1,872, \$302, and \$2,174, respectively. and
- Burial permits in the amount of \$3,350 were recorded as miscellaneous receipts in the Special Revenue Cemetery Fund instead of as licenses, permits and fees.

The notes to the annual financial statements also required modification to remove a fund type description not applicable to the financial statements and to correct the deposit and budgetary disclosures.

The accompanying financial statements and note disclosures have been adjusted to correct these recording errors.

**FINDING NUMBER 2015-001
 (Continued)**

Errors in the financial statements and supporting ledgers inhibit the ability of both the Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities be detected in a timely manner. Since the notes to the financial statements further the understanding of the financial statements, errors impact the users understanding of the financial statements and the Township.

During 2015 and 2014 the Trustees were only presented with the Cash Journal and the Cash Summary by Fund reports. These reports did not provide the level of detail that would easily help in the identification of recording errors and as a result may have contributed to these errors not being identified.

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. The Fiscal Officer should provide the Trustees with budget versus actual receipts and budget versus actual disbursement reports. These reports will assist the Trustees in the monitoring of financial activity and the identification of recording errors during the year and prior to completion of the annual financial statements. In addition, the Fiscal Officer should review governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/>, for guidance in the recording of financial activity and preparing the annual financial statements and note disclosures.

FINDING NUMBER 2015-002

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. **Ohio Rev. Code § 5705.10(D)** states, 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 following receipts were recorded in the wrong funds:

Year	Receipt Type	Amount	Fund Recorded In	Correct Fund
2015	Property Taxes	\$8,341	General	Road & Bridge
2015	Property Taxes	\$2,144	General	Park Fund
2015	Gasoline Tax	\$27,884	General	Gasoline Tax
2014	MVLT Excess IRP	\$391	General	Motor Vehicle License Tax
2014	Homestead & Rollback	\$3,320	General	Road & Bridge
2014	Property Taxes	\$14,614	General	Road & Bridge
2014	Gasoline Tax	\$36,442	General	Gasoline Tax

**FINDING NUMBER 2015-002
(Continued)**

The failure to record receipts in the correct fund impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, may materially misstate the financial statements, and makes it more difficult to detect irregularities.

The accompanying financial statements and the accounting records where necessary have been adjusted to record these receipts in the correct funds. Since the receipts and related disbursements for the Park Fund are "memo" only the accounting records did not require adjustment.

During 2015 and 2014, the Trustees were only presented with the Cash Journal and the Cash Summary by Fund reports. These reports did not provide the level of detail that would easily help in the identification of recording errors and as a result may have contributed to these errors not being identified.

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. The Fiscal Officer should provide the Trustees with budget versus actual receipts reports. These reports will assist the Trustees in the monitoring of financial activity and the identification of recording errors during the year and prior to completion of the annual financial statements.

FINDING NUMBER 2015-003

Noncompliance Citation / Significant Deficiency

Ohio Rev. Code § 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year-end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1 of the current year. **Ohio Rev. Code § 5705.39** states no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure. **Ohio Rev. Code § 5705.41(B)** states no subdivision or taxing unit is to expend money unless it has been appropriated. There was no evidence that the Trustees approved appropriations for 2015 and the Township failed to file appropriations with the county auditor and obtain a certificate that the total appropriations from each fund do not exceed estimated resources for 2015 and 2014. As a result, all disbursements exceeded appropriations.

The failure to approve appropriations and to obtain a certificate that the total appropriations from each fund do not exceed estimated resources may result in spending greater than available resources and the illegal disbursement of money.

Procedures and controls should be implemented to help ensure that the Board approves the annual appropriations by the required date, and that the Township maintains evidence of the approval. In addition, the Township must obtain a certificate from the county auditor that the total appropriations from each fund do not exceed estimated resources for the appropriation measure to become effective.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**WASHINGTON TOWNSHIP
HARDIN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Material Weakness – Accuracy of Financial Reporting. This finding was first reported in the 2011-2010 audit report.	Not Corrected	Repeated and modified as Finding 2015-001.
2013-002	Material Weakness/Non-compliance Citation Ohio Rev. Code § 5705.10 (A) and (D) – The Township recorded receipts in the wrong funds. This finding was first reported in the 2011-2010 audit report.	Not Corrected	Repeated and modified as Finding 2015-002
2013-003	Significant Deficiency – Review and Approval of Employee Timesheets	Corrected	
2013-004	Significant Deficiency – Bank to Book Reconciliation Variances	Corrective Action Taken	Repeated in Management Letter



Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

HARDIN 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
FEBRUARY 7, 2017**