

Washington Township
Scioto County
Regular Audit
For the Years Ended December 31, 2017 and 2016



Millhuff-Stang, CPA, Inc.
1428 Gallia Street / Portsmouth, Ohio 45662 / Phone: 740.876.8548
45 West Second Street, Suite D / Chillicothe, Ohio 45601 / Phone: 740.851.4978
Fax: 888.876.8549
natalie@millhuffstangcpa.com / roush@millhuffstangcpa.com
www.millhuffstangcpa.com



Dave Yost • Auditor of State

Board of Trustees
Washington Township
2220 Pershing Avenue
West Portsmouth, Ohio 45663

We have reviewed the *Independent Auditor's Report* of Washington Township, Scioto County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Ohio Rev. Code Section 505.24 defines, in part, the maximum compensation allowed for Township Trustees based on their annual budget. This section allowed for a 5% increase in salary compensation for those township officials elected or appointed after September 29, 2015. Trustees James McGraw and Scott Bauer were elected January 1, 2014 which would make them ineligible for this increase. During 2017, each of these Trustees' compensation included this 5% increase resulting in each Trustee being overpaid \$485.52.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against James McGraw and Scott Bauer in the amount of \$485 each and in favor of the Washington Township, Scioto County's General Fund.

On October 18, 2018 Scott Bauer paid \$485.52 to Washington Township and this amount was posted and recorded into the General Fund.

On October 23, 2018, James McGraw paid \$485.52 to Washington Township and this amount was posted and recorded into the General Fund.

Both of these findings for recovery are considered to be repaid in full.

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

November 29, 2018

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Washington Township
Scioto County
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For the Years Ended December 31, 2017 and 2016

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Independent Auditor's Report

Board of Trustees
Washington Township
Scioto County
2220 Pershing Avenue
West Portsmouth, Ohio 45663

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, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no 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 has 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, 2017 and 2016, 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, Scioto County, as of December 31, 2017 and 2016, 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 October 23, 2018, 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 the effectiveness of the Township's 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.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 23, 2018

Washington Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$63,210	\$1,081,335	\$1,144,545
Charges for Services	0	43,945	43,945
Licenses, Permits, and Fees	68,675	0	68,675
Intergovernmental	59,735	300,997	360,732
Earnings on Investments	7,721	1,459	9,180
Miscellaneous	14,802	16,528	31,330
Total Cash Receipts	214,143	1,444,264	1,658,407
Cash Disbursements:			
Current:			
General Government	156,979	0	156,979
Public Safety	0	501,607	501,607
Public Works	0	279,560	279,560
Health	27,304	0	27,304
Capital Outlay	4,230	1,078,752	1,082,982
Debt Service:			
Redemption of Principal	0	231,258	231,258
Interest and Other Fiscal Charges	0	19,032	19,032
Total Cash Disbursements	188,513	2,110,209	2,298,722
Excess of Cash Receipts Over (Under) Cash Disbursements	25,630	(665,945)	(640,315)
Fund Cash Balances, January 1	145,206	2,280,019	2,425,225
Fund Cash Balances, December 31:			
Restricted for:			
Road and Bridge Maintenance and Improvements	0	742,246	742,246
Fire Operations	0	297,142	297,142
Police Protection	0	111,746	111,746
Emergency Medical Services	0	193,127	193,127
Committed for:			
Road and Bridge Maintenance and Improvements	0	269,813	269,813
Assigned for Future Year Appropriations	170,124	0	170,124
Unassigned	712	0	712
Fund Cash Balances, December 31	\$170,836	\$1,614,074	\$1,784,910

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

Washington Township
Scioto 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, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general services, including road and bridge maintenance (public works), ambulance services (health), and fire protection (public safety). The Township contracts with the Minford Volunteer Fire Department and the Stockdale Volunteer Fire Department to provide fire services and the Minford Emergency Ambulance Service, Inc. to provide ambulance service.

The Township participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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.

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.

Deposits

The Township maintains its deposit pool in an interest-bearing checking account with a local commercial bank.

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:

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Road and Bridge Fund – This fund receives property tax monies and is used to account for road work done by the Township.

Ambulance Levy Fund – This fund receives property tax monies and is used to account for costs to provide ambulatory services to residents of the Township.

Sheriff Levy Fund – This fund receives property tax monies and is used to account for costs to provide police protection to residents of the Township via a contract with the Scioto County Sheriff's Department.

Special Levy Fire Fund – This fund receives property tax monies and is used for the purpose of fire protection to residents of the Township.

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 cancelled and re-appropriated in the subsequent year.

A summary of the 2017 budgetary activity appears in Note 4.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. 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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

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.

Accumulated Leave

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

Note 3 – Deposits

The Township maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2017 was as follows:

Demand Deposits \$1,784,910

Deposits – Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool. The financial institution is in the process of joining the Ohio Pooled Collateral System (OPCS); however, at December 31, 2017, the financial institution still maintained its own collateral pool.

Note 4 – Budgetary Activity

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

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$112,314	\$214,143	\$101,829
Special Revenue	1,343,929	1,444,264	100,335
Total	<u>\$1,456,243</u>	<u>\$1,658,407</u>	<u>\$202,164</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$257,496	\$188,513	\$68,983
Special Revenue	3,618,800	2,531,821	1,086,979
Total	<u>\$3,876,296</u>	<u>\$2,720,334</u>	<u>\$1,155,962</u>

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Fire Station Bonds, Series 2016	<u>\$748,331</u>	2.85%

On July 31, 2014, the Township took out a note for \$84,289 to finance the purchase of an ambulance. The Township were scheduled to make semi-annual payments in the amount of \$9,242, which includes interest, through July 31, 2019; however, the Township repaid the note in full during 2017. The note was collateralized by the value of the ambulance.

On June 3, 2016, the Township entered into a lease-purchase agreement with CAT Financial for a total of \$58,914. The purpose of this lease-purchase agreement is to purchase a Caterpillar Hydraulic Excavator for Township use. The Township's first payment of \$20,293 was paid June 3, 2016. The annual payment of \$20,293 will be due on June 3 of each year with the final payment being \$1. The maturity date of the agreement was scheduled to be June 3, 2019; however, the Township paid the lease in full during 2017. The interest rate per the agreement was 2.49% annually.

On October 12, 2016, the Township issues bonds in the amount of \$891,843 to finance the construction, equipping, and furnishing of a new fire station. The Township is scheduled to make semi-annual payments in the amount of \$156,293, which includes interest, through February 12, 2020. The bonds are collateralized by the full faith and credit of the Township.

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

Year Ending December 31:	Fire Station Bonds
2018	\$312,587
2019	312,587
2020	155,946
Total	<u>\$781,120</u>

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

The Township's employees and officials 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2017, 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, 2017.

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. OPERS contributed 2 percent of the employer contribution to fund these benefits during calendar year 2016 and 1 percent during calendar year 2017.

Note 8 – Compliance

The Township did not properly encumbrance funds which is contrary to Ohio Revised Code Section 5705.41(D).

Note 9 – 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

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, 2017, 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.

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017:

Assets	\$40,010,732
Liabilities	<u>(8,675,465)</u>
Net Position	<u>\$31,335,267</u>

At December 31, 2017, respectively, the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$13,000.

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
<u>\$30,625</u>

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.

Note 10 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

The Township is currently party to legal proceedings. However, management is of the opinion that there will not be an adverse impact on the Township's financial condition as a result of these proceedings.

Note 11 – Construction and Contractual Commitments

The Township had an outstanding contractual commitment as of December 31, 2017 with The Shelly Company in the amount of \$421,612 for paving services.

Washington Township
Scioto County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2016

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$59,626	\$1,035,114	\$1,094,740
Charges for Services	0	58,043	58,043
Licenses, Permits, and Fees	53,325	0	53,325
Intergovernmental	46,708	489,875	536,583
Earnings on Investments	5,250	1,449	6,699
Miscellaneous	9,121	2,455	11,576
Total Cash Receipts	174,030	1,586,936	1,760,966
Cash Disbursements:			
Current:			
General Government	116,358	0	116,358
Public Safety	0	603,178	603,178
Public Works	0	262,820	262,820
Health	28,296	0	28,296
Capital Outlay	2,670	244,377	247,047
Debt Service:			
Redemption of Principal	0	89,611	89,611
Interest and Other Fiscal Charges	0	12,278	12,278
Total Cash Disbursements	147,324	1,212,264	1,359,588
Excess of Cash Receipts Over Cash Disbursements	26,706	374,672	401,378
Other Financing Receipts:			
Proceeds from Loan	0	950,758	950,758
Total Other Financing Receipts	0	950,758	950,758
Net Change in Fund Cash Balance	26,706	1,325,430	1,352,136
Fund Cash Balances, January 1	118,500	954,589	1,073,089
Fund Cash Balances, December 31:			
Restricted for:			
Road and Bridge Maintenance and Improvements	0	567,822	567,822
Fire Operations	0	1,267,457	1,267,457
Police Protection	0	122,803	122,803
Emergency Medical Services	0	136,096	136,096
Committed for:			
Road and Bridge Maintenance and Improvements	0	185,841	185,841
Assigned for Futures Year Appropriations	145,182	0	145,182
Unassigned	24	0	24
Fund Cash Balances, December 31	\$145,206	\$2,280,019	\$2,425,225

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

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Washington Township, Scioto County (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general services, including road and bridge maintenance (public works), ambulance services (health), and fire protection (public safety). The Township contracts with the Minford Volunteer Fire Department and the Stockdale Volunteer Fire Department to provide fire services and the Minford Emergency Ambulance Service, Inc. to provide ambulance service.

The Township participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is: Ohio Township Association Risk Management Authority (OTARMA). This is a risk sharing pool available to all Townships for property and casualty insurance coverage.

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.

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.

Deposits

The Township maintains its deposit pool in an interest-bearing checking account with a local commercial bank.

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.

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Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Road and Bridge Fund – This fund receives property tax monies and is used to account for road work done by the Township.

Ambulance Levy Fund – This fund receives property tax monies and is used to account for costs to provide ambulatory services to residents of the Township.

Sheriff Levy Fund – This fund receives property tax monies and is used to account for costs to provide police protection to residents of the Township via a contract with the Scioto County Sheriff's Department.

Special Levy Fire Fund – This fund receives property tax monies and is used for the purpose of fire protection to residents of the Township.

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 cancelled and re-appropriated in the subsequent year.

A summary of the 2016 budgetary activity appears in Note 4.

Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of the resources in the governmental funds. 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 the Township Trustees or a Township official delegated that authority by resolution, or by State statute.

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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.

Accumulated Leave

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

Note 3 – Deposits

The Township maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2016 was as follows:

Demand Deposits \$2,425,225

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

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$126,882	\$174,030	\$47,148
Special Revenue	1,313,150	2,537,694	1,224,544
Total	<u>\$1,440,032</u>	<u>\$2,711,724</u>	<u>\$1,271,692</u>

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$126,000	\$147,324	(\$21,324)
Special Revenue	1,312,229	1,212,264	99,965
Total	<u>\$1,438,229</u>	<u>\$1,359,588</u>	<u>\$78,641</u>

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 5 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

Note 6 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ambulance Note	\$49,126	3.37%
Fire Station Bonds, Series 2016	891,843	2.85%
Excavator Lease Purchase	38,620	3.38%
Total	<u>\$979,589</u>	

On August 6, 2013, the Township took out a note for \$87,777 to finance the purchase of a tractor. The Township was scheduled to make semi-annual payments in the amount of \$9,380, which includes interest, through August 6, 2018. However, the note was repaid in full during 2016. The note was collateralized by the value of the Tractor.

On July 31, 2014, the Township took out a note for \$84,289 to finance the purchase of an ambulance. The Township is scheduled to make semi-annual payments in the amount of \$9,242, which includes interest, through July 31, 2019. The note is collateralized by the value of the ambulance.

On October 12, 2016, the Township issues bonds in the amount of \$891,843 to finance the construction, equipping, and furnishing of a new fire station. The Township is scheduled to make semi-annual payments in the amount of \$156,293, which includes interest, through February 12, 2020. The bonds are collateralized by the full faith and credit of the Township.

On June 3, 2016, the Township entered into a lease-purchase agreement with CAT Financial for a total of \$58,914. The purpose of this lease-purchase agreement is to purchase a Caterpillar Hydraulic Excavator for Township use. The Township's first payment of \$20,293 was paid June 3, 2016. The annual payment of \$20,293 will be due on June 3 of each year with the final payment being \$1. The maturity date of the agreement is June 3, 2019. The interest rate per the agreement is 2.49% annually.

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Year Ending December 31:	Ambulance Note	Fire Building Loan	Excavator Lease Purchase
2017	\$18,484	\$156,293	\$20,293
2018	18,484	312,587	20,293
2019	18,484	312,587	1
2020	0	155,946	0
Total	<u>\$55,452</u>	<u>\$937,413</u>	<u>\$40,587</u>

Note 7 – Defined Benefit Pension Plan and Postemployment Benefits

Ohio Public Employees Retirement System

The Township’s employees and officials 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 includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2016, 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, 2016.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 8 – Compliance

The Township did not properly encumbrance funds which is contrary to Ohio Revised Code Section 5705.41(D). The Township also had expenditures in excess of appropriations which is contrary to Ohio Revised Code Section 5705.41(B).

Note 9 – 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.

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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, 2016, 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, 2016:

Assets	\$38,473,283
Liabilities	<u>(8,244,140)</u>
Net Position	<u>\$30,229,143</u>

At December 31, 2016, the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$14,000.

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
<u>\$30,075</u>

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.

Note 10 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Washington Township
Scioto County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Litigation

The Township is currently party to legal proceedings. However, management is of the opinion that there will not be an adverse impact on the Township's financial condition as a result of these proceedings.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Washington Township
Scioto County
2220 Pershing Avenue
West Portsmouth, Ohio 45663

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Washington Township, Scioto County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2017-002 and 2017-003, that we consider to be material weaknesses.

Washington Township
Scioto County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-001 and 2017-004.

Township's Responses to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Natalie Millhuff-Stang, CPA, CITP
President/Owner
Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

October 23, 2018

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

FINDING NUMBER 2017-001

Noncompliance Citation - Prior Encumbrance of Funds

Ohio Revised Code Section 5705.41(D) prohibits a subdivision or taxing unit from making any contract or order for 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. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. "Then and Now" Certificate – If the Fiscal Officer can certify that both at the time that the contract or order was made ("then"), and at the time that the Fiscal Officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the Fiscal Officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Fiscal Officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township had material disbursements in the special revenue funds for 2016 and 2017 that were not certified at the time of commitment by the Fiscal Officer without evidence that the Township followed the aforementioned exceptions. In addition, we also noted material unrecorded encumbrances for 2017.

Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but is also 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, the Fiscal Officer should certify that 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.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

FINDING NUMBER 2017-001 (Continued)

Noncompliance Citation - Prior Encumbrance of Funds (Continued)

The Township officials and employees should obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language of Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitments, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Client Response:

The Township chose not to respond.

FINDING NUMBER 2017-002

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township's financial statements. The Township had material misclassifications for fund balances, debt activity, disbursements, and receipts for both 2016 and 2017. The Township also had unrecorded debt proceeds in 2016 and posted receipts to improper funds in both 2016 and 2017. All of these misstatements and misclassifications were corrected within the accompanying financial statements. The Township should implement additional monitoring procedures to ensure receipts, disbursements, and fund balances are properly recorded.

Client Response:

The Township chose not to respond.

FINDING NUMBER 2017-003

Material Weakness – Budgetary Information Within UAN

Accurate budgetary information within the Township's accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Amendments to the budget should be properly documented in the minute record to provide assurance that changes to appropriations are authorized by the governing body. Certain amendments should also be filed with the County.

During 2016 and 2017, we identified variances between amended certificates filed with the County Auditor and the estimated resources and appropriations within the accounting system in various funds, which indicates that amendments to estimated resources and/or appropriations were either not approved by the Trustees or not filed with the County Auditor. We also identified errors in beginning balances between the accounting records and the beginning balances per the amended certificate filed with the County Auditor.

We recommend that all amendments to the budget are properly approved by the Trustees and filed with the County Auditor. Further, the Township should implement procedures, such as periodic comparison of approved budgetary documents to the UAN system to ensure information is an agreement. Lastly the Township should ensure its amended certificates properly reflect beginning balances, filing amendments with the County Auditor when adjustments to the fund cash balances are made.

Client Response:

The Township chose not to respond.

Washington Township
Scioto County
Schedule of Findings and Responses
For the Years Ended December 31, 2017 and 2016

FINDING NUMBER 2017-004

Noncompliance Citation – Expenditures in Excess of Appropriations

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations at year end 2016 in the General and certain Special Revenue Funds. The Township should implement the appropriate procedures, such as periodic comparisons of expenditures to appropriations, to ensure that expenditures are limited to authorized appropriated amounts.

Client Response:

The Township chose not to respond.

Washington Township
Scioto County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2017 and 2016

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2015-001	Noncompliance Citation – ORC Section 5705.41(D) – Prior Encumbrance of Funds	No	Reissued as Finding 2017-001
Finding 2015-002	Material Weakness – Financial Reporting	No	Reissued as Finding 2017-002
Finding 2015-003	Material Weakness – Budgetary Information Within UAN	No	Reissued as Finding 2017-003
Finding 2015-004	Noncompliance – ORC Section 5705.41(B) – Expenditures in Excess of Appropriations	No	Reissued as Finding 2017-004

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Dave Yost • Auditor of State

WASHINGTON TOWNSHIP

SCIOTO 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 13, 2018**