



**Auditor of State
Betty Montgomery**

**RICHLAND TOWNSHIP
DARKE COUNTY**

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**Auditor of State
Betty Montgomery**

Richland Township
Darke County
5823 Oliver Road
Greenville, Ohio 45331

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

August 11, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Richland Township
Darke County
5823 Oliver Road
Greenville, Ohio 45331

To the Board of Trustees:

We have audited the accompanying financial statements of Richland Township, Darke County, (the Township), as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Richland Township, Darke County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2005, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

August 11, 2005

**RICHLAND TOWNSHIP
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Governmental Fund Types</u> | | Totals (Memorandum Only) |
|---|--------------------------------|----------------------------|---|
| | <u>General</u> | <u>Special Revenue</u> | |
| Cash Receipts: | | | |
| Local Taxes | \$23,459 | \$13,855 | \$37,314 |
| Intergovernmental | 26,289 | 79,878 | 106,167 |
| Licenses, Permits, and Fees | | 2,550 | 2,550 |
| Earnings on Investments | 664 | 69 | 733 |
| Other Revenue | 1,311 | 850 | 2,161 |
| | <u>51,723</u> | <u>97,202</u> | <u>148,925</u> |
| Total Cash Receipts | | | |
| | <u>51,723</u> | <u>97,202</u> | <u>148,925</u> |
| Cash Disbursements: | | | |
| Current: | | | |
| General Government | 71,452 | 300 | 71,752 |
| Public Safety | 773 | 13,153 | 13,926 |
| Public Works | 857 | 42,906 | 43,763 |
| Health | 13 | 2,150 | 2,163 |
| | <u>73,095</u> | <u>58,509</u> | <u>131,604</u> |
| Total Cash Disbursements | | | |
| | <u>73,095</u> | <u>58,509</u> | <u>131,604</u> |
| Total Receipts Over/(Under) Disbursements | <u>(21,372)</u> | <u>38,693</u> | <u>17,321</u> |
| Other Financing Receipts and (Disbursements): | | | |
| Advances-In | | 7,000 | 7,000 |
| Advances-Out | | (7,000) | (7,000) |
| | | <u>7,000</u> | <u>7,000</u> |
| Total Other Financing Receipts/(Disbursements) | | | |
| | | <u>7,000</u> | <u>7,000</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>(21,372)</u> | <u>38,693</u> | <u>17,321</u> |
| Fund Cash Balances, January 1 | <u>85,739</u> | <u>200,397</u> | <u>286,136</u> |
| Fund Cash Balances, December 31 | <u><u>\$64,367</u></u> | <u><u>\$239,090</u></u> | <u><u>\$303,457</u></u> |
| Reserve for Encumbrances, December 31 | <u><u>\$1,013</u></u> | <u><u>\$1,920</u></u> | <u><u>\$2,933</u></u> |

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

| | <u>Fiduciary Funds</u> |
|--|-------------------------------|
| Cash Receipts: | |
| Interest | <u>\$525</u> |
| Total Cash Receipts | <u>525</u> |
| Fund Cash Balances, January 1 | <u>32,345</u> |
| Fund Cash Balances, December 31 | <u><u>\$32,870</u></u> |

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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 the Richland Township, Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Ansonia Fire Department, Gettysburg Fire Department and Versailles Fire Department to provide fire services.

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

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Township's cash consisted of demand deposits and certificates of deposit which are valued at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

Motor Vehicle License Fund - This fund receives motor vehicle license money to pay for constructing, maintaining, and repairing Township roads.

Fire District Levy Fund – This fund receives the proceeds of a property tax levy for providing fire protection.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds (Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary funds:

Charlene Ashman Cemetery Bequest Fund – A non-expendable trust fund. Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Ben Coppess Cemetery Bequest Fund - A non-expendable trust fund. Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Lessie Kelsey Cemetery Bequest Fund - A non-expendable trust fund. Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Lucille Clark Cemetery Bequest Fund - A non-expendable trust fund. Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

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 level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2004 budgetary activity appears in Note 3.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | |
|-------------------------|-------------|
| | 2004 |
| Demand deposits | \$305,345 |
| Certificates of deposit | 30,982 |
| Total deposits | 336,327 |

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

| 2004 Budgeted vs. Actual Receipts | | | |
|--|------------------------------|----------------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$54,721 | \$51,723 | (\$2,998) |
| Special Revenue | 80,577 | 97,202 | 16,625 |
| Non-Expendable Trust | 500 | 525 | 25 |
| Total | \$135,798 | \$149,450 | \$13,652 |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|--|------------------------------------|-----------------------------------|-----------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$172,913 | \$74,108 | \$98,805 |
| Special Revenue | 238,972 | 60,429 | 178,543 |
| Fiduciary | 31,669 | 0 | 31,669 |
| Total | \$443,554 | \$134,537 | \$309,017 |

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Road and Bridge fund by \$28,563 for the year ended December 31, 2004.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

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 the plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

6. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Risk Pool Membership

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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)**

6. RISK MANAGEMENT (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2004.

| Casualty Coverage | 2004 |
|--------------------------|---------------------|
| Assets | \$30,687,203 |
| Liabilities | <u>(13,640,962)</u> |
| Retained earnings | <u>\$17,046,241</u> |
| | |
| Property Coverage | 2004 |
| Assets | \$7,799,073 |
| Liabilities | <u>(753,906)</u> |
| Retained earnings | <u>\$7,045,167</u> |

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Auditor of State Betty Montgomery

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

Richland Township
Darke County
5823 Oliver Road
Greenville, Ohio 45331

To the Board of Trustees:

We have audited the financial statements of the Richland Township, Darke County, (the Township), as of and for the year ended December 31, 2004, and have issued our report thereon dated August 11, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-004 through 2004-007.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Township's management dated August 11, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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, providing an opinion 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 finding as items 2004-001 through 2004-003. In a separate letter to the Township's management dated August 11, 2005, we reported other matters related to noncompliance or other matters we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

August 11, 2005

**RICHLAND TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004**

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

FINDING NUMBER 2004-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B), prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations. Contrary to this requirement the Township had the following expenditures in excess of the amounts appropriated at December 31, 2004:

| Fund | Total Appropriations | Total Actual Expenditures | Variance |
|----------------------|-------------------------|------------------------------|------------|
| Road and Bridge Fund | \$3,435 | \$31,998 | (\$28,563) |

The Clerk should closely monitor the Township budgetary financial reports throughout the year so that budgetary expenditures do not exceed the appropriations at the legal level of control.

It was also noted that the formal appropriation resolution was passed on January 26, 2004; however, expenditures in the amount of \$4,726 were made on January 25, 2004. Temporary appropriations were not approved by the Board and a review of the Certificate of Total Amounts Available from All Sources, indicated there were no carryover encumbrances as of December 31, 2003. The Township should not expend funds until the annual appropriations are approved. If expenditures must be made prior to the passing of the annual appropriation resolution, the Township should pass temporary appropriations at the beginning of the year in an amount sufficient to cover the Township's expenses until permanent appropriations can be passed.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Rev. Code Section 5705.10, requires 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 is to be paid into a special fund for such purpose. The Township failed to properly record the receipt of certain property taxes and intergovernmental revenue in the special funds established for that purpose during 2004. The adjustments required to accurately state the Township's fund balances as of December 31, are as follows:

| 2004 Fund Type | Client's Ending Balance | Increase or (Decrease) | Audited Ending Balance |
|-------------------------------|----------------------------|---------------------------|---------------------------|
| General Fund | \$75,773 | (11,406) | \$64,367 |
| Special Revenue Funds: | | | |
| Motor Vehicle License Tax | 9,206 | 10,614 | 19,820 |
| Gas Tax | 213,190 | 7,129 | 220,319 |
| Road & Bridge | 1,562 | (1,545) | 17 |
| Cemetery | 3,219 | (380) | 2,839 |
| Fire District Levy | 45 | (3,950) | (3,905) |
| Total Special Revenue Fund | 227,222 | 11,868 | 239,090 |

| 2004 Fund Type | Client's Ending Balance | Increase or (Decrease) | Audited Ending Balance |
|------------------------------------|----------------------------|---------------------------|---------------------------|
| Expendable Trust Fund | 10,418 | (10,418) | 0 |
| Non-Expendable Trust Funds: | | | |
| Lucille Clark Trust (1) | 0 | 10,519 | 10,519 |
| Lucille Clark Trust (2) | 0 | 10,529 | 10,529 |
| Ashman Trust | 0 | 1,680 | 1,680 |
| Kelsey Trust | 0 | 1,933 | 1,933 |
| Copess Trust | 22,104 | (13,985) | 8,209 |
| Total Non-Expendable Trust Fund | 22,104 | 10,676 | 32,870 |

The adjustments shown above have been reflected in the combined statements presented in this report.

The Township should develop procedures to verify that revenues are posted to the appropriate fund and revenue account to prevent misstatement in the future.

FINDING NUMBER 2004-003

Noncompliance Citation

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

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

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 not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account over a period running beyond the current 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.

**FINDING NUMBER 2004-003
(Continued)**

- 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 one line item appropriation.

Of the disbursement transactions tested for the period January 1, 2004 through December 31, 2004, 79 out of 141 items or 56% were not certified prior to incurring the obligation and the above exceptions were not utilized for these transactions. The failure to certify the availability of funds prior to the obligation could result in negative fund balance and/or deficit spending by the Township.

The Township should develop policies and utilize the exceptions listed above to improve compliance with the prior certification requirement.

FINDING NUMBER 2004-004

Reportable Condition

Inter-Fund Advances

On August 30, 2004, the Clerk advanced \$30,000 to the Road and Bridge Fund from the Gas Tax Fund. This advance was not formally approved by the Township Trustees. In addition, the advance was not necessary since it was made with the purpose of paying for road work which is a legitimate expenditure from the Gas Tax Fund. In addition, the Road and Bridge Fund does not receive enough revenue annually to refund an advance of that size in a reasonable period of time.

The Clerk should only make advances based on the Township Trustees' formal approval stating the purpose of the advance and when the funds advanced are to be returned to the advancing fund. The Township should refer to Auditor of State Bulletin 97-003 for additional guidance pertaining to advances.

FINDING NUMBER 2004-005

Reportable Condition

Revenue Posting

Throughout the audit period there were numerous errors in the recording of property tax revenue, intergovernmental revenue, license, permits and fees revenue, and interest revenue.

- Interest revenue was posted as General Fund taxes and Motor Vehicle License tax revenue.
- Intergovernmental revenue from the 10,000 exemption settlement was improperly posted as tax revenue instead of intergovernmental revenue, in some instance not allocated between the General Fund, Road and Bridge Fund, and Fire Special Levy Fund, and was not always posted at gross with offsetting expenditures posted for auditor and treasurer fees.
- Real Estate Tax Settlements, Personal Property Tax Settlements and Mobile Home Tax Settlements were, in most instances, not allocated between the General Fund, Road and Bridge Fund, and Fire Special Levy Fund, and were not posted at gross with offsetting expenditures posted for auditor and treasurer fees.

**FINDING NUMBER 2004-005
(Continued)**

- Local Government Revenue was incorrectly posted to the Motor Vehicle License Fund and Road and Bridge Fund instead of intergovernmental revenue in the General Fund.
- Motor Vehicle License Revenue was incorrectly posted to the General Fund and Motor Vehicle License Fund as tax revenue instead of Motor Vehicle License Fund intergovernmental revenue. Motor Vehicle License Excess IRP was incorrectly posted as Road and Bridge taxes instead of Motor Vehicle License Fund intergovernmental.
- Estate Tax was posted as net instead of gross and the auditor and treasurer fees were not posted as General Fund expenditures.
- Rollback and Homestead revenues were posted only to General Fund and were not allocated to the Road and Bridge and Special Fire Levy Fund.
- Public Utility Reimbursement revenues were posted only to General Fund and were not allocated to Road and Bridge Fund and in one instance posted as other financing sources instead of intergovernmental revenue.
- Gas Tax revenue from the State was posted as tax revenue instead of intergovernmental revenue.
- In some instances Burial fees were posted as charges for services instead of licenses, permits and fees.
- Several receipts were posted then voided, but never reposted to the proper fund and account.

These errors resulted in significant misstatements of the revenue received in the various Township funds which resulted in audit adjustments. The Clerk should review the Uniform Accounting Network (UAN) Chart of Accounts and post transactions according to the account code descriptions.

FINDING NUMBER 2004-006

Reportable Condition

Monitoring Township Financial Reports

Since the Township Clerk is the only individual performing accounting functions, the Trustees should monitor the Township's financial position on a routine basis. The Clerk should provide the Trustees with copies of the monthly bank reconciliation report, receipt account status report, appropriation status report, and fund balance report at the end of each month.

The review and acceptance of the monthly financial reports should be recorded in the minutes to document that the Trustees have verified that the accounting records are being properly maintained and kept up-to-date.

FINDING NUMBER 2004-007

Reportable Condition

Bank Reconciliations

The Township's monthly bank reconciliations were not properly performed by the Clerk. Throughout the year and at December 31, 2004, the certificate of deposit amounts used in the reconciliations did not agree to the bank balances. In addition, the outstanding check amount at 12/31/04 was incorrect. Also, the bank balances at year-end were reconciled to book balances that were improperly adjusted for prior year audit adjustments.

The monthly bank reconciliation is a basic control to verify accuracy and completeness of the Township's recording of current receipts and expenditures. The failure to maintain accurate monthly bank reconciliations increases the possibility the Township would not promptly detect misspostings or funds being lost or stolen.

To strengthen control over the reconciliation process: monthly bank reconciliations should be promptly performed, all cash reconciliation supporting documentation should be maintained, and reconciliations should agree to the reported fund cash balances. The Trustees should periodically review the monthly bank reconciliations to determine that proper procedures are being followed and document this review by initialing and dating the documents examined as proof this review was performed.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2003-001 | ORC 5705.41 (D) Prior certification of the availability of funds prior to entering into purchase obligations | No | Reissued as Finding 2004-003 |
| 2003-002 | ORC 5705.10 Revenue derived from a special levy | No | Reissued as Finding 2004-002 |
| 2003-003 | Monitoring Township Financial Reports | No | Reissued as Finding 2004-006 |
| 2003-004 | Monthly Bank Reconciliations | No | Reissued as Finding 2004-007 |



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**RICHLAND TOWNSHIP
DARKE 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
SEPTEMBER 13, 2005**