



Mary Taylor, CPA  
Auditor of State



ROUNDHEAD TOWNSHIP  
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006 .....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005 .....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	20

**This page intentionally left blank.**



**Mary Taylor, CPA**  
Auditor of State

Roundhead Township  
Hardin County  
P.O. Box 133  
Roundhead, Ohio 43346

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 an 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 adverse 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 4, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Roundhead Township  
Hardin County  
PO Box 133  
Roundhead, OH 43346

To the Board of Trustees:

We have audited the accompanying financial statements of Roundhead Township, Hardin County, (the Township) as of and for the years ended December 31, 2006 and 2005. 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. 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. 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 years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial for the years 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 Roundhead Township, Hardin County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 December 4, 2007, 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.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 4, 2007

**ROUNDHEAD TOWNSHIP  
HAREDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$32,640	\$9,572	\$42,212
Charges for Services	150	4,000	4,150
Licenss, Permits, and Fees		4,600	4,600
Intergovernmental	22,418	97,486	119,904
Earnings on Investments	4,688	1,625	6,313
Miscellaneous	3,228	542	3,770
Total Cash Receipts	<u>63,124</u>	<u>117,825</u>	<u>180,949</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	33,492		33,492
Public Safety	946	11,287	12,233
Public Works	2,936	70,240	73,176
Health	11,561		11,561
Capital Outlay	21,811	788	22,599
<b>Debt Service:</b>			
Redemption of Principal		9,118	9,118
Interest and Other Fiscal Charges		882	882
Total Cash Disbursements	<u>70,746</u>	<u>92,315</u>	<u>163,061</u>
Total Receipts Over/(Under) Disbursements	<u>(7,622)</u>	<u>25,510</u>	<u>17,888</u>
Fund Cash Balances, January 1	<u>131,668</u>	<u>106,716</u>	<u>238,384</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$124,046</u></b>	<b><u>\$132,226</u></b>	<b><u>\$256,272</u></b>
Reserve for Encumbrances, December 31	<u>\$714</u>	<u>\$0</u>	<u>\$714</u>

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

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$29,943	\$9,394	\$39,337
Charges for Services		4,000	4,000
Intergovernmental	41,250	96,339	137,589
Earnings on Investments	3,093	1,037	4,130
Miscellaneous	2,091	168	2,259
Total Cash Receipts	<u>76,377</u>	<u>110,938</u>	<u>187,315</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	38,575		38,575
Public Safety	8	15,196	15,204
Public Works	2,817	79,843	82,660
Health	10,959		10,959
Capital Outlay	6,250	2,634	8,884
<b>Debt Service:</b>			
Redemption of Principal		9,756	9,756
Interest and Other Fiscal Charges		1,244	1,244
Total Cash Disbursements	<u>58,609</u>	<u>108,673</u>	<u>167,282</u>
Total Receipts Over Disbursements	<u>17,768</u>	<u>2,265</u>	<u>20,033</u>
Fund Cash Balances, January 1	<u>113,900</u>	<u>104,451</u>	<u>218,351</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$131,668</u></b>	<b><u>\$106,716</u></b>	<b><u>\$238,384</u></b>
Reserve for Encumbrances, December 31	<u>\$199</u>	<u>\$0</u>	<u>\$199</u>

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

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006**

**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 Roundhead Township, Hardin County, (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance, fire protection, and cemetery maintenance.

The Township participates in a public entity risk pool, joint venture, and two jointly governed organizations. Notes 7, 8, and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships.

Joint Venture:

The McDonald-Roundhead Joint Recreational District (JRD) is a joint park district operated with Roundhead Township.

Joint Governed Organizations:

Upper Scioto Valley Ambulance District is a jointly governed organization that provides emergency medical services within the District.

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

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 accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposits at cost. STAR Ohio is recorded at share values the mutual funds report.

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting**

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

**1. General Fund**

The General Fund 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 Fund:

**Gasoline Tax Fund** - This Fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**Fire District Fund** – This Fund receives tax levy money to provide fire protection services.

**E. Budgetary Process**

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

**1. Appropriations**

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

**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.

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006  
(Continued)**

**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:

	<b>2006</b>	<b>2005</b>
Demand deposits	\$142,082	\$131,003
Certificates of deposit	2,500	1,000
Total deposits	144,582	132,003
STAR Ohio		
Total investments	111,690	106,381
Total deposits and investments	\$256,272	\$238,384

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

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

<b>2006 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$48,953	\$63,124	\$14,171
Special Revenue	85,819	117,825	32,006
Total	\$134,772	\$180,949	\$46,177

<b>2006 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$174,853	\$71,460	\$103,393
Special Revenue	189,726	92,315	97,411
Total	\$364,579	\$163,775	\$200,804

<b>2005 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$49,296	\$76,377	\$27,081
Special Revenue	71,965	110,938	\$38,973
Total	\$121,261	\$187,315	\$66,054

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2005 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$101,185	\$58,808	\$42,377
Special Revenue	175,768	108,673	67,095
Total	\$276,953	\$167,481	\$109,472

**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.

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

Debt outstanding at December 31, 2006 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Promissory Note	\$15,728	3.5%

The Township issued a promissory note to Liberty National Bank on October 14, 2003, in the amount of \$41,410 to purchase a truck. The actual proceeds of this note were \$41,250. This note matures October 14, 2008. Interest and principal payment is due annually to Liberty National Bank.

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

<b>Year ending December 31:</b>	<b>Promissory Note</b>
2007	8,870
2008	7,741
Total	\$16,611

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

**7. 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. 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.

**A. Casualty Coverage**

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

**B. Property Coverage**

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**C. 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, 2006 and 2005.

<b>Casualty Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>
<b>Property Coverage</b>	<b>2006</b>	<b>2005</b>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$19,618. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

<b>Contributions to OTARMA</b>	
2004	\$10,832
2005	\$10,044
2006	\$ 9,809

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2006  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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.

**8. JOINT VENTURE**

The Township is a member of the McDonald-Roundhead Joint Recreational District (JRD) which was established during 2001. The JRD is operated by a five member Board consisting of representatives from both McDonald Township and Roundhead Township. The Trustees of each township select the JRD Board, whose members have staggered terms to allow the JRD Board to consist of three members representing McDonald Township in one year, and three members representing Roundhead Township the following year. During the initial year, the McDonald Township trustees appointed three members (one 3 year term, one 2 year term, and one 1 year term) and two member (one 3 year term and one 2 year term) were appointed by the Roundhead Township trustees. The two townships budget and fund the McDonald-Roundhead JRD in shares proportionate to the tax valuation of each township, in such amounts as the Township trustees mutually agree upon.

**9. JOINTLY GOVERNED ORGANIZATIONS**

The Upper Scioto Valley Ambulance District is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of Alger, and the Village of McGuffey, in Hardin County. The District provides ambulance services within the District.

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Village is represented by one member.

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

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

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

Roundhead Township  
Hardin County  
PO Box 133  
Roundhead, Ohio 43346

To the Board of Trustees:

We have audited the financial statements of Roundhead Township, Hardin County, (the Township) as of and for the year ended December 31, 2006 and December 31, 2005, and have issued our report thereon dated December 4, 2007, 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-005.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

**Internal Control Over Financial Reporting  
(Continued)**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2006-002 through 2006-005 are also material weaknesses.

**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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as 2006-004 and 2006-005.

We also noted certain noncompliance or other matters that we reported to the Township's management in a separate letter dated December 4, 2007.

We intend this report solely for the information and use of the management and Board of Trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

December 4, 2007

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2006-001**

**Significant Deficiency**

**Monitoring of Budget Versus Actual Activity**

To effectively manage an entity's financial resources, the governing body should periodically monitor budget versus actual activity. The Township's Trustees did not review or approve budget versus actual reports during 2006 or 2005. As a result, the Trustees had to rely on the Fiscal Officer to perform this procedure. Without oversight by the Trustees, there may have been errors including possible financial misstatements when the budgetary information was recorded in the ledgers which would not have been detected.

The failure to monitor budget versus actual activity may result in the financial goals of the Township not being achieved, the violation of various budgetary laws, and a material misstatement of the budgeted receipts and expenditures in the budgetary note.

The Fiscal Officer should provide the Trustees with monthly budget versus actual reports for their review and approval. Periodically a review should be performed to verify that the budgeted amounts reported agree to the amounts approved by the Trustees. If it is not practical to prepare budgetary reports, then the Trustees should review ledgers that show both actual and budgeted revenue and expenditures. Evidence of these reviews should be documented in the minutes or on the reports.

**FINDING NUMBER 2006-002**

**Material Weakness**

**Procedures for Preparing Bank-to-Book Reconciliation and Financial Reporting**

To help provide meaningful information to the users of an entity's financial statements, supporting ledgers, bank-to-book reconciliations, and procedures and controls should be in place to help prevent and detect errors. The Township's 2006 and 2005 financial statements required approximately twenty adjustments to correct reporting errors. These errors included revenue and expenditure classification errors, receipts recorded in the wrong fund, and differences between the supporting ledgers and the annual financial statements. In addition, the December 31, 2006 and 2005 bank-to-book reconciliations included errors in the reported deposit balances and outstanding check lists.

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

The Township Fiscal Officer should review the Ohio Township Manual, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts and expenditures. Prior to filing and making available for public inspection the Township's annual financial statements, the Clerk should reconcile the manual revenue and expenditure ledgers by line item to the annual financial statements to help detect errors. Bank reconciliations should be reviewed for accuracy prior to being presented for review to the Trustees. Periodically the Trustees should perform a review of the revenue and expenditures ledgers, along with the monthly bank-to-book reconciliations to help identify errors and/or irregularities.

**FINDING NUMBER 2006-003**

**Material Weakness**

**Fund Classifications**

To help assure the proper presentation and disclosure of fund activity, the Township should classify funds according to the reporting requirements of governmental accounting. Governmental accounting requires funds with a trust agreement and principal that cannot be spent to be classified as either a permanent fund or a private purpose fund depending on whether the income derived from the principal is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. If there is a trust agreement and both the principal and income can be spent, the fund should be classified as either a special revenue fund or a private purpose trust fund depending of whether or not the money is to benefit the entity's own operations or to benefit individuals, private organizations, or other governments. Absent a trust agreement, contributions with a restricted purpose should be classified as a special revenue fund.

The Township had three funds classified as Private Purpose Trust Funds; however, the Township did not have trust agreements that specified that the principal was to be maintained. As a result, these Funds should be classified as Special Revenue Funds. The accompanying financial statements have been adjusted to correctly classify these funds. The impact on the fund type balances at December 31 was as follows:

<u>2006</u>	<u>Fund Type</u>	<u>Amount</u>	<u>2005</u>	<u>Fund Type</u>	<u>Amount</u>
	Special Revenue	\$2,559		Special Revenue	\$2,563
	Private Purpose	(2,559)		Private Purpose	(2,563)

The Township Fiscal Officers and Trustees should contact their Legal Counsel for assistance in locating the trust agreements for these funds and for a final legal determination. These funds should be classified in future financial according to the guidance provided by the Township Legal Counsel.

**FINDING NUMBER 2006-004**

**Material Weakness/Non-Compliance Citation**

**Ohio Rev. Code Section 5705.09(F)** requires that subdivisions must establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. The Township failed to establish a separate fund in 2005 to account for FEMA grants in the amount of \$9,538. The accompanying financial statements have been adjusted to reflect the receipt and expenditure of these grants in a Special Revenue FEMA Fund.

The Fiscal Officer should review Ohio Compliance Supplement Chapter 1 and Auditor of State Bulletin 98-013 to obtain an understanding of the required funds for the Township. A further understanding of the current accounting system should be obtained to aid in the establishment of the required funds.

**FINDING NUMBER 2006-005**

**Material Weakness/ Noncompliance Citation**

**Ohio Rev. Code, Section 5705.10 (D)**, 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. During 2006, the Township recorded excess International Registration Plan (IRP) compensation which is motor vehicle license tax revenue, in the amount of \$143, in the General Fund instead of the Motor Vehicle License Tax Fund. During 2005, the Township recorded property tax settlements in the amount of \$2,655 in the General Fund instead of the Fire Fund. The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts in the funds. The required adjustments had the following net effect upon the respective funds:

<b>Fund Type</b>	<b>2006</b>	<b>Amount</b>		<b>Fund Type</b>	<b>2005</b>	<b>Amount</b>
General	Decrease	(\$143)		General	Decrease	(\$2,655)
Special Revenue Motor Vehicle License Tax Fund	Increase	143		Special Revenue Fire Fund	Increase	2,655

The Township Fiscal Officer should utilize resources such as Chapter 1 of the Ohio Compliance Supplement and the Ohio Township Manual to provide guidance on the recording of revenues. In addition, the Township should implement review and monitoring procedures to help provide that revenues are recorded in the correct fund.

**Client Response**

We did not receive a response from Officials to these findings.

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JANUARY 1, 2005 TO DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
<b>2004-001</b>	Ohio Rev. Code Section 505.24(C) – payment of the Trustees’ wages from funds other than the General Fund.	No	Repeated in management letter.
<b>2004-002</b>	Weaknesses in financial reporting.	No	Repeated as finding 2006-002.



**Mary Taylor, CPA**  
Auditor of State

**ROUNDHEAD TOWNSHIP**

**HARDIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 31, 2008**