



Mary Taylor, CPA  
Auditor of State



ROUNDHEAD TOWNSHIP  
LOGAN COUNTY

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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.

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**Mary Taylor, CPA**  
Auditor of State

May 21, 2010

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Roundhead Township  
Hardin County  
P.O. Box 133  
Roundhead, Ohio 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, 2008 and 2007. 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, 2008 and 2007 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, 2008 and 2007, or its changes in financial position 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 of Roundhead Township, Hardin County, as of December 31, 2008 and 2007, 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 May 21, 2010, 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 black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

May 21, 2010



**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, 2008**

	<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	\$31,593	\$11,165	\$42,758
Charges for Services		4,000	4,000
Licenses, Permits, and Fees		1,600	1,600
Intergovernmental	20,057	140,374	160,431
Earnings on Investments	5,120	1,205	6,325
Miscellaneous	2,157	4,471	6,628
<b>Total Cash Receipts</b>	<u>58,927</u>	<u>162,815</u>	<u>221,742</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
General Government	39,297		39,297
Public Safety	1,089	68,761	69,850
Public Works	3,022	50,923	53,945
Health	9,784		9,784
Other	359	35	394
Capital Outlay	8,173	3,205	11,378
<b>Debt Service:</b>			
Redemption of Principal		6,465	6,465
Interest and Other Fiscal Charges		2,896	2,896
<b>Total Cash Disbursements</b>	<u>61,724</u>	<u>132,285</u>	<u>194,009</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(2,797)</u>	<u>30,530</u>	<u>27,733</u>
<b>Fund Cash Balances, January 1</b>	<u>169,394</u>	<u>135,777</u>	<u>305,171</u>
<b>Fund Cash Balances, December 31</b>	<u>\$166,597</u>	<u>\$166,307</u>	<u>\$332,904</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, 2007**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$35,886	\$11,523		\$47,409
Charges for Services		4,000		4,000
Licenses, Permits, and Fees		600		600
Intergovernmental	62,473	116,221	\$30,951	209,645
Earnings on Investments	6,372	1,952		8,324
Miscellaneous	2,221	348		2,569
Total Cash Receipts	<u>106,952</u>	<u>134,644</u>	<u>30,951</u>	<u>272,547</u>
<b>Cash Disbursements:</b>				
<b>Current:</b>				
General Government	38,441			38,441
Public Safety	1,605	10,376		11,981
Public Works	3,008	84,431		87,439
Health	9,487			9,487
Other	208	18		226
Capital Outlay	8,855	80,610	30,951	120,416
<b>Debt Service:</b>				
Redemption of Principal		15,065		15,065
Interest and Other Fiscal Charges		588		588
Total Cash Disbursements	<u>61,604</u>	<u>191,088</u>	<u>30,951</u>	<u>283,643</u>
Total Receipts Over/(Under) Disbursements	<u>45,348</u>	<u>(56,444)</u>		<u>(11,096)</u>
<b>Other Financing Receipts:</b>				
Other Debt Proceeds		60,000		60,000
Total Other Financing Receipts		<u>60,000</u>		<u>60,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	45,348	3,556		48,904
Fund Cash Balances, January 1	<u>124,046</u>	<u>132,221</u>		<u>256,267</u>
Fund Cash Balances, December 31	<u><u>\$169,394</u></u>	<u><u>\$135,777</u></u>	<u><u>\$0</u></u>	<u><u>\$305,171</u></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, 2008 AND 2007**

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

**1. Jointly Governed Organizations:**

Upper Scioto Valley Ambulance District 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.

**2. Joint Venture:**

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

**3. Public Entity Risk Pool:**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. 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. Deposits and Investments**

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

The Township 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, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**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.

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant capital project fund:

**Public Works Fund** – This fund accounts for Issue II money spent on behalf of the Township for maintaining and repairing Township roads.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must 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 canceled, and re-appropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 DEPOSITS AND INVESTMENTS**

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

	<b>2008</b>	<b>2007</b>
Demand deposits	\$88,116	\$113,948
Certificates of deposit	52,710	43,506
Total deposits	140,826	157,454
STAR Ohio	192,078	147,717
Total investments	192,078	147,717
Total deposits and investments	\$332,904	\$305,171

**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, 2008 and 2007 follows:

<b>2008 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 56,120	\$ 58,927	\$2,807
Special Revenue	166,512	162,815	(3,697)
Total	\$222,632	\$221,742	(\$ 890)

  

<b>2008 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$194,000	\$ 61,724	\$132,276
Special Revenue	205,550	132,285	73,265
Total	\$399,550	\$194,009	\$205,541

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

<b>2007 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$ 51,907	\$106,952	\$ 55,045
Special Revenue	85,928	194,644	108,716
Capital Projects		30,951	30,951
Total	\$137,835	\$332,547	\$194,712

<b>2007 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$162,447	\$ 61,604	\$100,843
Special Revenue	205,982	191,088	14,894
Capital Projects		30,951	(30,951)
Total	\$368,429	\$283,643	\$ 84,786

**4. PROPERTY TAX**

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

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

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, 2008 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Truck	\$53,535	5.25%

On June 4, 2007, the Township entered into a promissory note to purchase a fire truck. This note matures on April 30, 2015. Interest and principal payment is due annually to Liberty National Bank.

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

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. DEBT (Continued)**

<b>Year ending December 31:</b>	<b>Promissory Note</b>
2009	\$ 9,361
2010	9,361
2011	9,361
2012	9,361
2013	9,361
2014-2015	18,722
Total	<u>\$65,527</u>

On October 14, 2003, the Township entered into a promissory note to purchase a truck with a maturity on October 14, 2008. The Township paid off this debt on April 23, 2007.

**6. RETIREMENT SYSTEMS**

The Township's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Township contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**7. RISK MANAGEMENT**

**A. Risk Pool Membership**

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. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**B. Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2008, OTARMA retained \$350,000 for casualty claims and \$100,000 for property claims.

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

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

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, 2008 and 2007.

	<b>2008</b>	<b>2007</b>
Assets	\$40,737,740	\$43,210,703
Liabilities	(12,981,818)	(13,357,837)
Net Assets	\$27,755,922	\$29,852,866

At December 31, 2008 and 2007, respectively, liabilities above include approximately \$12.1 and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.9 and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, 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 \$8,000.

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.

<b>Contributions to OTARMA</b>	
2007	\$8,864
2008	\$8,754

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.



**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**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 members (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 jointly governed entity 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 Township 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 by Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

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# 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  
P.O. 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 years ended December 31, 2008 and 2007, and have issued our report thereon dated May 21, 2010, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 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 findings 2008-001 through 2008-003 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. We believe finding numbers 2008-001 to 2008-003 are also material weaknesses.

We also noted a certain internal control matter that we reported to the Township's management in a separate letter dated May 21, 2010.

**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 is described in the accompanying schedule of findings as items 2008-003 and 2008-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated May 21, 2010.

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



**Mary Taylor, CPA**  
Auditor of State

May 21, 2010

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2008-001**

**Material Weakness**

**Procedures for Preparing Bank-to-Book Reconciliation & Accuracy of 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 2008 accounting records and financial statements had revenue classification errors of \$3,249 in the General Fund and \$51,610 in the Fire District Fund. In 2008 the Township's accounting records and financial statements had expenditure classification errors of \$9,361 in the Fire District Fund. In 2007, the Township's accounting records and financial statements had \$19,708 of revenue classifications errors in the Fire District Fund and \$15,653 of expenditure classification errors in the Gasoline Tax Fund. The classification errors consisted of the recording of homestead and rollback receipts, state-kilowatt receipts and CAT tax receipts as tax revenue and other revenue instead of intergovernmental revenue; the recording of a federal grant as other revenue instead of intergovernmental revenue; and the recording of interest and principal payments as capital outlay. During 2007, the Township obtained a loan for the purchase of a truck; however the accounting records and financial statements did not reflect the loan proceeds of \$60,000 in the Special Revenue Fire District Fund. In 2008, the Township recorded \$1,405 of interest in the General Fund, \$34 in the Motor Vehicle License Tax Fund and \$35 in the Gasoline Tax Fund that was earned during 2007 and failed to record \$224 of interest in the General Fund, \$13 in the Motor Vehicle License Tax Fund and \$20 in the Gasoline Tax Fund that was earned during 2008. In 2007, the Township failed to record \$1,391 of interest in the General Fund, \$127 in the Motor Vehicle License Tax Fund and \$367 in the Gasoline Tax Fund that was earned during 2007. During 2007, the financial statements for the Fire District Fund failed to reflect \$33,044 in expenditures. In addition, the December 31, 2008 and 2007 bank-to-book reconciliations included errors in the reported deposit balances and outstanding check lists. As a result the Township's 2008 and 2007 financial statements required an adjustment to reconcile the bank balance to the book balance in the amount of \$359 and \$208, respectively.

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's accounting records and the accompanying financial statements have been adjusted to reflect the correct December 31, 2008 fund balance and to report financial activity in the correct line items.

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 Fiscal Officer 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 2008-002**

**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>2008</u>	<u>Fund Type</u>	<u>Amount</u>	<u>2007</u>	<u>Fund Type</u>	<u>Amount</u>
	Special Revenue	\$2,573		Special Revenue	\$2,595
	Private Purpose	(2,573)		Private Purpose	(2,595)

The Township Fiscal Officer 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 2008-003**

**Material Weakness / Noncompliance Citation**

**Ohio Rev. Code Section 5705.09(F)** requires that each subdivision shall 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. **Ohio Rev. Code Section 5705.36(A)(2)** allows all subdivisions to request increased amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater than the amount in the official certificate of estimated resources. **Ohio Rev. Code Section 5705.36(A)(3)** requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. **Ohio Rev. Code Section 5705.40** allows an entity to amend or supplement appropriations.

In 2007, the Township failed to amend the certificate of estimated resources and the appropriations resolution for Issue II money in the amount of \$30,951 spent on behalf of the Township. In addition, the Township also failed to establish the required fund in its accounting records and financial statements to account for the memo entries for the receipt and disbursement of this money. The accompanying financial statements have been adjusted to reflect receipt and disbursement of this money.

The failure to record this activity prevents the users of the financial statements from seeing the financial benefit received by the Township.

The Township should review Auditor of State Bulletin 2002-004 for guidance in the budgeting and recording of Issue II money. Procedures should then be implemented by the Township to help assure the recording of this activity in the accounting records and financial statements.

**FINDING NUMBER 2008-004**

**Noncompliance Citation**

**26 CFR 31.3101-2(c)** requires the computation of the employee tax by applying to the wages received by the employee the rate in effect at the time such wages are received (1.45%). **26 CFR 31.3111- 2(c)** requires the computation of the employer tax by applying to the wages paid by the employer the rate in effect at the time such wages are paid (1.45%).

In 2008, the Fiscal Officer made payments of \$328 to the Internal Revenue Service for 2008 federal and Medicare taxes. However the amount owed was \$166. This resulted in an overpayment in the amount of \$162.

In 2008 the Fiscal Officer made payments of \$791 to the Internal Revenue Service for 2007 federal and Medicare taxes. However, the amount owed was \$590. This resulted in an overpayment in the amount of \$201.

The Fiscal Officer and Trustees should consult with the IRS regarding how to obtain a credit or refund for the overpayment of 2008 and 2007 federal and Medicare taxes. In addition, the Fiscal Officer and Trustees should review Form 941s and the supporting payroll records to help identify errors prior to the payment of employee and employer contributions.

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

**ROUNDHEAD TOWNSHIP  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

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>
2006-001	Monitoring of Budget Versus Actual Activity	Yes	
2006-002	Procedures for Preparing Bank-to-Book Reconciliation and Financial Reporting	No	Repeated as Finding 2008-001
2006-003	Fund Classifications	No	Repeated as Finding 2008-002
2006-004	Ohio Rev. Code Section 5705.09(F)	No	Repeated as Finding 2008-003
2006-005	Ohio Rev. Code Section 5705.10(D)	Yes	





**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  
JUNE 17, 2010**