



Dave Yost • Auditor of State

**RICHLAND TOWNSHIP
DARKE COUNTY**

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Dave Yost • Auditor of State

Richland Township
Darke County
9431 Horner Road
Versailles, Ohio 45380

To the Township 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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Dave Yost
Auditor of State

July 12, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Richland Township
Darke County
9431 Horner Road
Versailles, Ohio 45380

To the Township Trustees:

We have audited the accompanying financial statements of Richland Township, Darke County, (the Township) as of and for the years ended December 31, 2010 and 2009. 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(A) mandates 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.

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, 2010 and 2009 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, 2010 and 2009, 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 and reserves for encumbrances of Richland Township, Darke County, as of December 31, 2010 and 2009, 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 July 12, 2011, 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.

As disclosed in Note 7, the Township restated beginning fund cash balances in 2009 and 2010.



Dave Yost
Auditor of State

July 12, 2011

**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, 2010**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$29,185	\$19,627	\$48,812
Licenses, Permits, and Fees		2,400	2,400
Intergovernmental	74,654	94,286	168,940
Earnings on Investments	97	125	222
Miscellaneous		450	450
Total Cash Receipts	<u>103,936</u>	<u>116,888</u>	<u>220,824</u>
Cash Disbursements:			
Current:			
General Government	59,441		59,441
Public Safety		47,549	47,549
Public Works	7,843	152,954	160,797
Health	28,482		28,482
Other	50		50
Total Cash Disbursements	<u>95,816</u>	<u>200,503</u>	<u>296,319</u>
Total Receipts Over/(Under) Disbursements	<u>8,120</u>	<u>(83,615)</u>	<u>(75,495)</u>
Other Financing Receipts / (Disbursements):			
Transfers-In		7,081	7,081
Transfers-Out	(7,081)		(7,081)
Other Financing Sources	160		160
Total Other Financing Receipts / (Disbursements)	<u>(6,921)</u>	<u>7,081</u>	<u>160</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	1,199	(76,534)	(75,335)
Fund Cash Balances, January 1 (Restated - See Note 7)	<u>39,828</u>	<u>414,357</u>	<u>454,185</u>
Fund Cash Balances, December 31	<u><u>\$41,027</u></u>	<u><u>\$337,823</u></u>	<u><u>\$378,850</u></u>
Reserve for Encumbrances, December 31	<u><u>\$100</u></u>	<u><u>\$5</u></u>	<u><u>\$105</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
CHANGE IN FUND CASH BALANCE -
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Private Purpose Trust Funds</u>
Cash Receipts:	
Earnings on Investment	\$409
Total Cash Receipts	<u>409</u>
Fund Cash Balance, January 1	<u>36,633</u>
Fund Cash Balance, December 31	<u><u>\$37,042</u></u>

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

**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, 2009**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$25,845	\$18,907	\$44,752
Licenses, Permits, and Fees		2,100	2,100
Intergovernmental	27,975	107,587	135,562
Earnings on Investments	916	89	1,005
Total Cash Receipts	<u>54,736</u>	<u>128,683</u>	<u>183,419</u>
Cash Disbursements:			
Current:			
General Government	61,966		61,966
Public Safety		47,101	47,101
Public Works	35,818	84,583	120,401
Health	33,320	3,278	36,598
Total Cash Disbursements	<u>131,104</u>	<u>134,962</u>	<u>266,066</u>
Total Receipts Over/(Under) Disbursements	<u>(76,368)</u>	<u>(6,279)</u>	<u>(82,647)</u>
Other Financing Receipts / (Disbursements):			
Other Financing Sources		19,250	19,250
Other Financing Uses	(10)		(10)
Total Other Financing Receipts / (Disbursements)	<u>(10)</u>	<u>19,250</u>	<u>19,240</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(76,378)	12,971	(63,407)
Fund Cash Balances, January 1 (Restated - See Note 7)	<u>110,731</u>	<u>400,614</u>	<u>511,345</u>
Fund Cash Balances, December 31	<u>\$34,353</u>	<u>\$413,585</u>	<u>\$447,938</u>
Reserve for Encumbrances, December 31	<u>\$23,832</u>	<u>\$23,066</u>	<u>\$46,898</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
CHANGE IN FUND CASH BALANCE -
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Private Purpose Trust Funds</u>
Cash Receipts:	
Earnings on Investment	\$737
Total Cash Receipts	<u>737</u>
Fund Cash Balance, January 1	<u>35,896</u>
Fund Cash Balance, December 31	<u><u>\$36,633</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, 2010 AND 2009**

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, and fire protection services. The Township contracts with the Ansonia Fire Department, Gettysburg Fire Department, and Versailles Fire Department to provide fire services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 6 to the financial statements provide additional information for this entity.

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

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

Ben Coppess Cemetery Bequest Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Lessie Kelsey Cemetery Bequest Fund – Amounts donated are maintained in perpetuity. Investment earnings are used for grave upkeep as specified by the donor.

Lucille Clark Cemetery Bequest 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 (except certain agency funds) 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.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 re-appropriated. The Township did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 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.

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:

	2010	2009
Demand deposits	\$384,910	\$453,589
Certificates of deposit	30,982	30,982
Total deposits	\$415,892	\$484,571

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 years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 96,432	\$104,096	\$7,664
Special Revenue	123,700	123,969	269
Trust	409	409	
Total	\$220,541	\$228,474	\$7,933

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 90,688	\$102,997	(\$12,309)
Special Revenue	492,771	200,508	292,263
Total	\$583,459	\$303,505	\$279,954

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,185	\$54,736	(\$10,449)
Special Revenue	130,869	147,933	17,064
Trust	400	737	337
Total	\$196,454	\$203,406	\$ 6,952

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$234,031	\$154,946	\$ 79,085
Special Revenue	486,364	158,028	328,336
Trust	43,340	43,340	43,340
Total	\$763,735	\$312,974	\$450,761

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$12,309 for the year ended December 31, 2010 and the Fire Levy Fund by \$3,219 and \$2,317 for the years ended December 31, 2009 and 2010, respectively. Additionally appropriations exceeded the total estimated resources in the Fire Levy Fund by 6,642, for the year ended December 31, 2009 and the Gas Tax Fund by \$53,499 for the year ended December 31, 2010. Also contrary to Ohio law, at December 31, 2009 and 2010, the Township did not properly encumber funds.

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. RETIREMENT SYSTEMS

The Township Trustees and Fiscal Officer belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2010.

6. RISK MANAGEMENT

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.

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, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009

	2010	2009
Assets	\$35,855,252	\$38,982,088
Liabilities	(10,664,724)	(12,880,766)
Net Assets	\$25,190,528	\$26,101,322

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$9.9 and \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$9.5 and \$11.5 million of unpaid claims to be billed to approximately 940 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2010, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. RISK MANAGEMENT (Continued)

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

Contributions to OTARMA	
2010	2009
<u>\$3,964</u>	<u>\$3,001</u>

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Fund Balance Adjustment

In 2009, the Township determined that check #5090 that was listed as outstanding as of December 31, 2008, for \$1,791, had actually cleared in May 2007 as check #5066. Check #5066 had never been recorded in the accounting system. Since check #5090 was not actually an outstanding item as of December 31, 2008. Accordingly the Cemetery Fund, a Special Revenue Fund, 2009 beginning fund balance was increased by \$1,791.

	Beginning Balance	Adjustments	Re-stated Beginning Balance
Special Revenue	<u>\$398,823</u>	<u>\$1,791</u>	<u>\$400,614</u>

In 2010, the Township voided stale checks, relating to fiscal years 2004 through 2007, from the accounting system. The General Fund and Gas Tax Fund beginning balances increased by \$5,475 and \$772, respectively, from their 2009 ending balances as a result of voiding these transactions.

	Beginning Balance	Adjustments	Re-stated Beginning Balance
General Fund	<u>\$34,353</u>	<u>\$5,475</u>	<u>\$39,828</u>
Special Revenue	<u>413,585</u>	<u>772</u>	<u>414,357</u>



Dave Yost • Auditor of State

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

Richland Township
Darke County
9431 Horner Road
Versailles, Ohio 45380

To the Township Trustees:

We have audited the financial statements of Richland Township, Darke County, (the Township) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated July 12, 2011 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 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(A) mandates the Auditor of State to audit Ohio governments. As disclosed in Note 7, the Township restated beginning fund cash balances in 2009 and 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 and 2010-007 described in the accompanying schedule of findings to be material weaknesses.

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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 findings as items 2010-001 through 2010-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 12, 2011.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

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

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

Dave Yost
Auditor of State

July 12, 2011

**RICHLAND TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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

FINDING NUMBER 2010-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code 505.24(C) states in part, that whenever members of a board of township trustees are compensated per diem and not by annual salary, the board shall establish, by resolution, a method by which each member of the board shall periodically notify the township fiscal officer of the number of days spent in the service of the township and the kinds of services rendered on those days. The per diem compensation shall be paid from the township general fund or from other township funds in such proportion as the kinds of services performed may require. (For example, the township could charge trustee time spent on road repairs to the road & bridge fund.)

For Trustee salaries not paid from the general fund, **Ohio Attorney General Opinion 2004-036** requires that the board establish administrative procedures to properly document the proportionate amount chargeable to other township restricted funds based on the kinds of services rendered. The administrative procedures can be timesheets or a similar method or record keeping, as long as the Trustees document all time spent on township business and the type of services performed. If Trustees do not document their time, then no part of their salaries may be paid from funds other than the general fund.

Ohio Rev. Code Section 5735.27(A)(5)(d) restricts monies expended from the township's gasoline tax fund to only the purposes of planning, constructing, maintaining, widening, and reconstructing the public roads and highways within the township.

By failing to document their time, Trustees could not assure that the proportionate amount paid from the gasoline tax fund properly reflected the proportion of time spent on roads and highways within the township relative to the total time spent on township business. The Township discontinued paying the Trustee salary payments from the Gasoline Excise Tax Fund in October 2009. In 2009, the Township paid \$19,341.45 from the Gas Tax Fund for payroll. These salary payments should be paid from the General Fund.

This noncompliance also occurred during the audit of the Township for the period 1/1/05 – 12/31/06 and the Township was directly informed of this requirement in the Auditor of State's management letter dated May 21, 2008. It was reported again in the Auditor of State's Schedule of Findings dated October 5, 2009 for the period 1/1/07 - 12/31/08. During the current audit period, the Township continued to record Trustee salary payments to the Gasoline Excise Tax Fund without administrative procedures established to account for Trustees' time spent on township business and the types of services performed from this restricted fund from January through September 2009. The Trustees were paid from the general fund from October 2009 through December 2010.

The Township made the adjustment to reduce the General Fund and increase the Gas Tax Fund cash fund balance by \$19,341.45.

Official's Response:

In 2009, the Trustees failed to document first half of the year after previous Audit declared their records as unacceptable, hence payroll was amended and charged to General Fund for the remainder of 2009 and all of 2010.

FINDING NUMBER 2010-002

NONCOMPLIANCE

Ohio Rev. Code Section 5705.38(C) states that appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services.”

In 2010 and 2009, the Township Trustees approved the annual appropriations measure and subsequent amendments at the fund level for all funds. The Township should review Section 5705.38(C) and approve appropriations at the minimum level as established by the Ohio Rev. Code.

Official’s Response:

We received no substantive response to this finding.

FINDING NUMBER 2010-003

NONCOMPLIANCE

Ohio Rev. Code Section 5705.36(A)(2) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater or less than the amount included in an official certificate, the fiscal officer may certify the amount of the deficiency or excess to the commission, and if the commission determines that the fiscal officer’s certification is reasonable, the commission shall certify an amended official certificate reflecting the deficiency or excess.

Ohio Rev. Code Section 5705.36(A)(3) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be greater than the amount included in an official certificate and the legislative authority intends to appropriate and expend the excess revenue, the fiscal officer shall certify the amount of excess to the commission, and if the commission determines that the fiscal officer’s certification is reasonable, the commission shall certify an amended official certificate reflecting such excess.

Ohio Rev. Code Section 5705.36(A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

The following funds had actual available resources (Actual Revenues plus Beginning Unencumbered Balance) below the current level of appropriation at December 31, 2009:

Fund	Appropriations	Available Resources	Variance
General Fund	\$234,031	\$165,467	(\$68,564)
Cemetery Fund	14,063	(3,803)	(17,866)
Coppess Trust Fund	17,700	9,140	(8,560)
As of December 31, 2010:			
Gas Tax Fund	\$409,855	\$403,932	(\$ 5,923)

The Township should monitor estimated and actual revenue throughout the year and obtain an amended certificate if revenues are going to significantly vary from the original estimate to prevent over-appropriating available resources.

Official’s Response:

This has been explained by County Auditor and corrected for 2010.

FINDING NUMBER 2010-004

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) prohibits expenditures unless the funds have been properly appropriated.

Contrary to this requirement the Township had the following expenditures in excess of the amounts appropriated at December 31, 2010:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
General Levy	\$90,688	\$102,997	(\$12,309)
Fire Levy Fund	20,560	22,877	(2,317)

At December 31, 2009, the following expenditures were in excess of amounts appropriated:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
Fire Levy Fund	\$21,351	\$24,570	(\$3,219)

The Township should routinely monitor expenditures and appropriations, and make necessary changes to either the budgeted amounts or the actual activity. The Township should develop monitoring procedures to help identify instances in which expenditures may exceed appropriations at the legal level of control. Appropriations and/or spending should be modified when a potential violation is identified to help reduce the risk of deficit spending and to remain in compliance with this Code Section.

Official's Response:

Supplemental appropriations were done since the UAN will not allow payment greater than appropriation, but apparently the clerk failed to enter in every conceivable part of system.

FINDING NUMBER 2010-005

NONCOMPLIANCE

Ohio Rev. Code Section 5705.39 provides in part that the total appropriation from each fund shall not exceed the estimated revenue available for expenditure as certified by the county budget commission, or in case of appeal, by the board of tax appeals. At December 31, 2010 and 2009 annual appropriations exceeded the certificate of estimated resources in the following fund;

2010	Total Certificate of Estimated Resources	Annual Appropriations	Variance
Gas Tax Fund	\$356,356	\$409,855	(\$53,499)

2009	Total Certificate of Estimated Resources	Annual Appropriations	Variance
Fire Levy Fund	\$14,709	\$21,351	(\$6,642)

The Township should monitor its appropriations and amend the appropriations as necessary to remain in compliance with this section and reduce the possibility of overspending certified resources.

**FINDING NUMBER 2010-005
(Continued)**

Official's Response:

The amended certificates were obtained for 2010 but lack of knowledge as to recording changes in UAN. It is sad to say that some of the learning is only done out of error correction.

FINDING NUMBER 2010-006

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

- A. "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.

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

Richland Township did not properly certify the availability of funds prior to purchase commitment for 17 out of 39 (43.6%) expenditures tested. There was no evidence that Richland Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and lead to negative cash fund balances.

**FINDING NUMBER 2010-006
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Official's Response:

The township always obtained certification but the clerk did not always use the correct PO form (blanket, super blanket) but just general Po. This is being corrected.

FINDING NUMBER 2010-007

Material Weakness - Financial Statement Reclassifications

The Township prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Township's Annual Financial Report for 2010 and 2009 contained errors which resulted in several reclassifications and adjustments to correctly report the financial activity during and at the end of the periods as follows:

- In 2009, the insurance reimbursement from a totaled tractor was incorrectly recorded as license, permits, and fees revenue in the Road and Bridge Fund. This reimbursement amount of \$19,250 should have been posted as other financing sources.
- In 2009 and 2010, public utility, personal property reimbursement, and homestead/rollback was improperly presented as taxes, other financing sources, and charges for services. The General Fund had \$6,581 in 2010 and \$6,439 in 2009 incorrectly recorded. The Road and Bridge fund had \$3,782 in 2009 and \$3,901 in 2010 incorrectly recorded. And the Fire Levy Fund had \$291 in 2009 and \$295 in 2010 incorrectly recorded. These monies should be posted as intergovernmental revenue.
- In 2009 and 2010, the motor vehicle license tax monies were incorrectly presented as taxes. The Motor Vehicle License Tax Fund had \$9,116 in 2010 and \$8,976 in 2009 incorrectly posted. These monies should be posted as intergovernmental revenue.
- In 2009 and 2010, taxes in the Fire Levy Fund in the amounts of \$17,569 and \$18,228 respectively, were incorrectly presented as charges for services. Taxes received from the settlements should be recorded as taxes.
- In 2009, the fiscal officer paid a \$3,219 bill from the General Fund and then improperly moved the monies from the Fire Levy Fund (Special Revenue Fund) to the General Fund as a beginning fund balance adjustment in 2010.
- The 2010 and 2009 combined and combining statements incorrectly named the Private Purpose Trust Funds as Permanent Funds. These trust funds are not Permanent Funds as the bequests are to the benefit of specific individuals. These funds have been presented as Private Purpose Trust Funds on the financial statements.
- In 2010, the fiscal officer improperly presented \$3,023 of county auditor and treasurer deductions from settlements and \$50 of miscellaneous expenditures as other financing sources in the General Fund.

Adjustments and reclassifications to correct the significant errors above are reflected in the accompanying financial statements.

The Township fiscal officer should review the account coding system prior to completion of the financial statements to verify that all account line items roll up into the proper financial statement line items and correct fund groupings according to the Township chart of accounts.

Official's Response:

These line errors were all due to the acceptance by clerk that after 150 years of operation the township was using all correct codes. We therefore did not have appropriate codes set up. They will be set up.

Once again ignorance of wording is no excuse. At the time of correction of all previous clerks and their entries into the UAN for interest on trust funds the basic set up was carried forward and the only wording was "pooled or non". This has been corrected.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	OAG Opinion 99-015 and Ohio Rev. Code Section 507.09 Finding for Recovery for overpayment of fiscal officer compensation	Yes	
2008-002	OAG Opinion 99-015 and Ohio Rev. Code Section 507.24 Finding for Recovery for overpayment of trustees	Yes	
2008-003	OAG Opinion 99-015 and Ohio Rev. Code Section 507.24 Finding for Recovery for overpayment of trustees	Yes	
2008-004	OAG Opinion 99-015 and Ohio Rev. Code Section 507.24 Finding for Recovery for overpayment of trustees	Yes	
2008-005	Ohio Rev. Code Section 5705.10(D) negative fund balance	No	Partially corrected. Re-issued in separate letter to management.
2008-006	1982 Ohio Attorney General Opinion No. 82-031 improper interest allocation	Yes	
2008-007	Ohio Rev. Code 505.24(C) Trustee compensation outside of General Fund with no allocation documentation	No	Not corrected. Re-issued as Finding Number 2010-001
2008-008	Ohio Rev. Code Section 5705.36(A)(1)(b) trust fund balance certified as available for expenditure	No	Not corrected. Re-issued in separate letter to management.
2008-009	Ohio Rev. Code Section 5705.39 appropriations in excess of certificate of estimated resources	No	Not corrected. Re-issued as Finding Number 2010-005
2008-010	Ohio Rev. Code Section 149.351(A) destruction of records	Yes	
2008-011	Ohio Revised Code § 5705.41(D)(1) prior certification of funds	No	Not corrected. Re-issued as Finding Number 2010-006

Richland Township
 Darke County
 Schedule of Prior Audit Findings
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2008-012	Ohio Adm. Code Section 117-2-2(C)(1) accounting system did not agree to budgetary documents	No	Not corrected. Re-issued in separate letter to management.
2008-013	Fire Protection Contracts	No	Partially corrected. Re-issued in separate letter to management.
2008-014	Monitoring Township Financial Reports	Yes	
2008-015	Monthly Bank Reconciliations	Yes	
2008-016	Revenue Posting	No	Partially corrected. Re-issued as Finding Number 2010-007.
2008-017	Risk Assessment Process	Yes	



Dave Yost • Auditor of State

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
AUGUST 18, 2011**