



Dave Yost • Auditor of State

**RICHLAND TOWNSHIP
CLINTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Richland Township
Clinton County
330 N. College Street
Sabina, Ohio 45169

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Richland Township, Clinton County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Richland Township, Clinton County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

December 10, 2014

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$28,043	\$44,181	\$72,224
Licenses, Permits and Fees	18,310	0	18,310
Intergovernmental	20,816	135,749	156,565
Earnings on Investments	98	16	114
Miscellaneous	2,251	15,115	17,366
<i>Total Cash Receipts</i>	<u>69,518</u>	<u>195,061</u>	<u>264,579</u>
Cash Disbursements			
Current:			
General Government	60,297	0	60,297
Public Works	28,993	158,214	187,207
Health	13,545	3,591	17,136
Conservation-Recreation	4,208	0	4,208
Capital Outlay	1,290	138	1,428
<i>Total Cash Disbursements</i>	<u>108,333</u>	<u>161,943</u>	<u>270,276</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,815)</u>	<u>33,118</u>	<u>(5,697)</u>
Other Financing Receipts (Disbursements)			
Advances In	3,000	3,000	6,000
Advances Out	(3,000)	(3,000)	(6,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(38,815)	33,118	(5,697)
<i>Fund Cash Balances, January 1</i>	<u>71,281</u>	<u>94,468</u>	<u>165,749</u>
Fund Cash Balances, December 31			
Restricted	0	135,544	135,544
Unassigned (Deficit)	32,466	(7,958)	24,508
<i>Fund Cash Balances, December 31</i>	<u>\$32,466</u>	<u>\$127,586</u>	<u>\$160,052</u>

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

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments (trust funds only)	\$10,224
<i>Total Operating Cash Receipts</i>	10,224
Operating Cash Disbursements	
Purchased Services	4,600
<i>Total Operating Cash Disbursements</i>	4,600
<i>Operating Income (Loss)</i>	5,624
 <i>Net Change in Fund Cash Balances</i>	 5,624
<i>Fund Cash Balances, January 1</i>	36,129
<i>Fund Cash Balances, December 31</i>	\$41,752

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

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$27,967	\$43,283	\$71,250
Licenses, Permits and Fees	11,385	0	11,385
Intergovernmental	27,588	113,084	140,672
Earnings on Investments	170	0	170
Miscellaneous	7,512	7,010	14,522
<i>Total Cash Receipts</i>	<u>74,622</u>	<u>163,377</u>	<u>237,999</u>
Cash Disbursements			
Current:			
General Government	66,025		66,025
Public Works	43,468	185,704	229,172
Health	11,915	24,587	36,502
Conservation-Recreation	6,748		6,748
Capital Outlay	2,958	518	3,476
<i>Total Cash Disbursements</i>	<u>131,114</u>	<u>210,809</u>	<u>341,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(56,492)</u>	<u>(47,432)</u>	<u>(103,924)</u>
<i>Net Change in Fund Cash Balances</i>	(56,492)	(47,432)	(103,924)
<i>Fund Cash Balances, January 1</i>	<u>127,773</u>	<u>141,900</u>	<u>269,673</u>
Fund Cash Balances, December 31			
Restricted	0	95,530	95,530
Unassigned (Deficit)	71,281	(1,062)	70,219
<i>Fund Cash Balances, December 31</i>	<u>\$71,281</u>	<u>\$94,468</u>	<u>\$165,749</u>

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

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Fiduciary Fund Types
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments (trust funds only)	\$5,413
<i>Total Operating Cash Receipts</i>	5,413
Operating Cash Disbursements	
Purchased Services	7,000
<i>Total Operating Cash Disbursements</i>	7,000
<i>Operating Income (Loss)</i>	(1,587)
 <i>Net Change in Fund Cash Balances</i>	 (1,587)
<i>Fund Cash Balances, January 1</i>	37,716
<i>Fund Cash Balances, December 31</i>	\$36,129

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

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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, Clinton 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 and cemetery maintenance. The Township contracts with SRWW#2 Joint Fire District for fire and ambulance services.

Jointly Governed Organization: The SRWW#2 Joint Fire District, is a jointly governed organization, which provides fire protection and rescue services to the Village of Sabina, Richland Township, Wayne Township, and Wilson Township. Each of the four political subdivisions appoints one member of the four member board of trustees. The Board owns and operates assets in its own name. The Board has authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services and a tax levy.

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 funds are deposited in a NOW checking account, Money Builder Savings Account and Money Market Mutual Funds. All investments are valued at cost.

D. Fund Accounting

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

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

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.

Cemetery Levy Fund - This fund receives proceeds from a tax levy for providing cemetery maintenance.

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.

The Township's private purpose trust fund is for the benefit of the Roberts' family Mausoleum.

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. 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 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 reappropriated in the subsequent year.

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. 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:

	2013	2012
Demand deposits	\$99,814	\$50,202
Money Market Savings Account	60,238	120,147
Total deposits	160,052	170,349
Mutual Funds	41,752	31,529
Total investments	41,752	31,529
Total deposits and investments	\$201,804	\$201,878

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Mutual funds are not evidenced by securities that exist in physical or book-entry form.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,572	\$72,518	\$19,946
Special Revenue	144,433	198,061	53,628
Private Purpose Trust	0	10,224	10,224
Total	\$197,005	\$280,803	\$83,798

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$134,976	\$111,333	\$23,643
Special Revenue	227,778	164,943	62,835
Private Purpose Trust	32,281	4,600	27,681
Total	\$395,035	\$280,876	\$114,159

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$52,390	\$74,622	\$22,232
Special Revenue	146,711	163,377	16,666
Private Purpose Trust	0	5,413	5,413
Total	\$199,101	\$243,412	\$44,311

20BB Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$180,163	\$131,114	\$49,049
Special Revenue	288,611	210,809	77,802
Private Purpose Trust	37,716	7,000	30,716
Total	\$506,490	\$348,923	\$157,567

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.

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

7. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2013, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2013 and 2012 (the latest information available):

	<u>2013</u>	<u>2012</u>
Assets	\$34,954,286	\$34,771,270
Liabilities	8,486,363	9,355,082
Net Position	\$26,467,923	\$25,416,188

At December 31, 2013 and 2012, respectively, the liabilities above include approximately \$7.9 and \$8.7 million of estimated incurred claims payable. The assets above also include approximately \$7.4 and \$7.8 million of unpaid claims to be billed to approximately 948 member governments in the future, as of December 31, 2013 and 2012, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2013, the Township's share of these unpaid claims collectible in future years is approximately \$4,000.

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

8. 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.

<u>Contributions to OTARMA</u>	
<u>2013</u>	<u>2012</u>
\$7,595	\$7,561

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.

12. Jointly Governed Organizations

The SRWW #2 Joint Fire District is a jointly governed organization which provides fire protection and rescue services to the Village of Sabina, Richland Township, Wayne Township, and Wilson Township. Each of the four political subdivisions appoints one member of the four member Board of Trustees. The Board owns and operates assets in its own name. The Board has the authority to levy taxes and approve its own budget. Funding for operations comes from the participants in the District, charges for services, and a tax levy.

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Dave Yost • Auditor of State

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

Richland Township
Clinton County
330 N. College Street
Sabina, Ohio 45169

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Richland Township, Clinton County, (the Township) as of and for the year ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated December 10, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of findings to be 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, opining 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 2013-002 through 2013-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

December 10, 2014

**RICHLAND TOWNSHIP
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2013-001

Material Weakness

Ohio Admin. Code Section 117-2-02 requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

We noted the following conditions related to the Township's accounting system:

- The Township posted Personal Property Replacement Tax (CAT Tax) as Taxes instead of Intergovernmental revenue in the General Fund of \$12,107 during 2012 and \$6,015 during 2013; in the Road & Bridge Fund of \$6,616 during 2012 and \$5,165 during 2013; and in the Cemetery Levy Fund of \$8,438.37 during 2012 and \$10,024.75 during 2013.
- The Township posted Refunds on Tax Apportionment sheets as expenditures resulting in an over statement of Cemetery Levy Funds receipts and expenditures in the amount of \$392 during 2012 and \$14 during 2013.
- The Township overstated Interest receipts in the Private Purpose Trust Fund during 2012 in the amount of \$753. The Fiscal Officer attempted to correct the overstatement by posting an expenditure to Other Financing Uses during 2013 in the amount of \$753. During 2013, interest receipts were understated in the Private Purpose Trust Fund in the amount of \$904.
- The Township classified the fund balances of the Helen Fox, Curtis/Secoy, and Hilda Steele Cemetery Trust funds as Assigned, during 2013 and 2012. The fund balances should have been classified as Restricted for both 2013 and 2012.

The Township recorded audit adjustments and reclassifications to the financial statements and accounting records.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

We recommend that the Township review the UAN chart of accounts to be able to properly classify revenues and expenditures.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2013-002

Noncompliance/Material Weakness

Ohio Revised Code, 505.24 (C), and 2004 OAG Opinion 2004-036 require trustees to establish administrative procedures to document the proportionate amount chargeable to other township funds based on the kinds of services rendered. The “administrative procedures” can be timesheets or a similar method of record keeping, as long as the trustees document all time spent on township business and the type of services performed, in a manner similar to trustees paid per diem compensation. If trustees do not document their time, then no part of salaries may be paid from the restricted funds.

We noted one Trustee’s 2013 salary, insurance and PERS were not allocated by the documentation the trustees maintained. Failure to allocate the salaries caused salaries and benefits to be charged to the wrong funds and resulted in the following audit adjustment:

Item	Amount	Proper Classification	Classification Reported
Salaries & Withholdings	\$3,840	General Fund-General Government Expenditures	Special Revenue-Public Works Expenditures

Failure to accurately post and report transactions could result in material errors in the Township’s financial statements and reduces the Township’s ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

We recommend that the Township establish administrative procedures to ensure that payroll and the related benefits are allocated based on the documentation that the trustees maintain. Allocating payroll based on the documentation will permit the Township to be in compliance with OAG opinion 2004-036. The financial statements and the Township’s accounting records have been adjusted to properly report trustee salaries.

Officials’ Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2013-003

Noncompliance/Material Weakness

Ohio Revised Code, Section 505.60, states the board of township trustees of any township may procure and pay all or any part of the cost of insurance policies that may provide benefits for hospitalization, surgical care, major medical care, disability, dental care, eye care, medical care, hearing aids, prescription drugs, or sickness and accident insurance, or a combination of any of the foregoing types of insurance for township officers and employees. If the board procures any insurance policies under this section, the board shall provide uniform coverage under these policies for township officers and full-time township employees and their immediate dependents, and may provide coverage under these policies for part-time township employees and their immediate dependents, from the funds or budgets from which the officers or employees are compensated for services, such policies to be issued by an insurance company duly authorized to do business in this state.

**FINDING NUMBER 2013-003
(Continued)**

Officers and employees insurance were not allocated in accordance with their compensated services. Failure to allocate the insurance caused insurance payments to be charged to the incorrect funds. During 2012 the General Fund was overstated by \$11,123; the Motor Vehicle License Fund was overstated by \$1,378; the Gas Tax fund was understated by \$12,681; the Road & Bridge Fund was understated by \$5,847; the cemetery fund was understated by \$2,337; and the Cemetery Levy Fund was overstated by \$8,365. During 2013, the General Fund was overstated by \$6,476; the Motor Vehicle Fund was overstated by \$49; the Gas Tax Fund was understated by \$9,022; the Road & Bridge Fund was understated by \$4,998; the Cemetery Fund was understated by \$3,000; and Cemetery Levy was overstated \$10,495.

The Township recorded audit adjustments and reclassifications to the financial statements and accounting records.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions which effect the overall available cash positions of the Township.

We recommend that the Township establish administrative procedures to ensure that insurance payments are allocated per the Officer and Employees compensated services. The financial statements and the Township's accounting records have been adjusted to properly report trustee salaries.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2013-004

Noncompliance

Ohio Rev. Code, Section 5705.10(H), provides that money paid into a fund must be used only for the purposes for which such fund was established. The Cemetery Levy Fund had a negative fund balance at December 31, 2013 and 2012 in the amounts of (\$7,958) and (\$1,062) respectively. This deficit balance indicates money from other funds was used to cover the expenditures of this fund, contrary to Ohio Law.

Failure to monitor budgetary activity can result in overspending and negative fund balances. The management of Richland Township should monitor the Township's budgetary receipts and expenditures by having the clerk provide budgetary reports at least quarterly to be reviewed and approved by the Board. By regularly monitoring its budgetary position throughout the year, the Township will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which affect the overall cash position of the Township.

Officials' Response:

We did not receive a response from officials to the finding above.

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Dave Yost • Auditor of State

RICHLAND TOWNSHIP

CLINTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2014**