



**Auditor of State
Betty Montgomery**

**RICHLAND TOWNSHIP
LOGAN COUNTY**

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**Auditor of State
Betty Montgomery**

Richland Township
Logan County
P.O. 95
Belle Center, Ohio 43310

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

September 20, 2005

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Richland Township
Logan County
P.O. Box 95
Belle Center, Ohio 43310

To the Board of Trustees:

We have audited the accompanying financial statements of Richland Township, Logan County, (the "Township"), as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2005, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

September 20, 2005

**RICHLAND TOWNSHIP
LOGAN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$48,431	\$107,973		\$156,404
Charges for Services		3,976		3,976
Licenses, Permits, and Fees	11,574	13,572		25,146
Intergovernmental	33,013	96,259	21,823	151,095
Earnings on Investments	418	109		527
Miscellaneous	27,161	7,199		34,360
	<hr/>			
Total Cash Receipts	120,597	229,088	21,823	371,508
Cash Disbursements:				
Current:				
General Government	130,463			130,463
Public Safety		46,447		46,447
Public Works		82,074		82,074
Health	13,862	28,595		42,457
Capital Outlay			21,823	21,823
Other	3,335	13,780		17,115
Debt Service - Principal		18,656		18,656
Debt Service - Interest		425		425
	<hr/>			
Total Cash Disbursements	147,660	189,977	21,823	359,460
Total Receipts Over/(Under) Disbursements	(27,063)	39,111		12,048
Other Financing Receipts:				
Proceeds of Note	21,685			
	<hr/>			
Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements	(5,378)	39,111		12,048
Fund Cash Balances, January 1	11,705	95,065	0	106,770
	<hr/>			
Fund Cash Balances, December 31	<u>\$6,327</u>	<u>\$134,176</u>	<u>\$0</u>	<u>\$140,503</u>
	<hr/>			
Reserve for Encumbrance		<u>\$15,573</u>		<u>\$15,573</u>

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

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Operating Cash Receipts:	
Interest	\$10
Operating Cash Disbursements:	
Other	<u>30</u>
Operating (Deficit)	(20)
Fund Cash Balances, January 1	<u>2,099</u>
Fund Cash Balances, December 31	<u><u>\$2,079</u></u>

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

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$47,522	\$91,681	\$139,203
Charges for Services		6,926	\$6,926
Licenses, Permits, and Fees	10,036	10,851	20,887
Intergovernmental	33,410	90,386	123,796
Earnings on Investments	810	136	946
Miscellaneous	27,725	18,300	46,025
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	119,503	218,280	337,783
Cash Disbursements:			
Current:			
General Government	129,032		129,032
Public Safety		45,289	45,289
Public Works		78,959	78,959
Health	22,685	35,849	58,534
Capital Outlay	7,180	3,899	11,079
Debt Service - Principal		72,926	72,926
Debt Service - Interest		2,950	2,950
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	158,897	239,872	398,769
Total Receipts (Under) Disbursements	(39,394)	(21,592)	(60,986)
Other Financing Receipts:			
Proceeds of Note		11,500	11,500
	<hr/>	<hr/>	<hr/>
Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(39,394)	(10,092)	(49,486)
Fund Cash Balances, January 1	51,099	105,157	156,256
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$11,705</u>	<u>\$95,065</u>	<u>\$106,770</u>

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

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
NON-EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Operating Cash Receipts:	
Interest	\$19
Operating Cash Disbursements:	
Other	<u>0</u>
Operating Income	19
Fund Cash Balances, January 1	<u>2,080</u>
Fund Cash Balances, December 31	<u><u>\$2,099</u></u>

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

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

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 Richland Township, Logan 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.

The Township is associated with one jointly-governed organization, the B.M.R.T. Regional Ambulance District. The District is directed by an appointed four-member Board of Trustees. One member is appointed by each political subdivision within the District. Those subdivisions include McDonald, Richland, and Taylor Townships and the Village of Belle Center.

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

B. Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

Cemetery Fund – This fund receives revenue from the sale of cemetery lots and burial fees and is used to help cover the cost of maintaining the Township's cemeteries.

Fire District Fund – This fund receives property tax money from a special fire levy to help cover the cost of fire protection.

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Capital Projects Fund:

Public Works Projects Fund - The fund records Logan County sales tax money spent on behalf of the Township for constructing, maintaining and repairing Township roads.

4. Fiduciary Funds (Trust Funds)

These funds account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following fiduciary funds:

Cemetery Bequest Funds – These funds receive donations to be maintained in perpetuity for the upkeep of the Township cemetery.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 and 2003 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.

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

2. EQUITY IN POOLED CASH

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

	2004	2003
Demand deposits	\$142,581	\$108,869

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, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,153	\$142,282	\$1,129
Special Revenue	217,909	229,088	11,179
Capital Projects	30,000	21,823	(8,177)
Nonexpendable	21	10	(11)
Total	\$389,083	\$393,203	\$4,120

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,846	\$147,660	\$5,186
Special Revenue	311,800	205,550	106,250
Capital Projects	30,000	21,823	8,177
Nonexpendable	100	30	70
Total	\$494,746	\$375,063	\$119,683

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$124,286	\$119,503	(\$4,783)
Special Revenue	277,762	229,780	(47,982)
Capital Projects	100		(100)
Nonexpendable		19	19
Total	\$402,148	\$349,302	(\$52,846)

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$174,350	\$158,897	\$15,453
Special Revenue	344,797	239,872	104,925
Nonexpendable	300	300	300
Total	\$519,447	\$398,769	\$120,678

During 2003, the Township posted revenues from the fire tax levy to the governmental debt service fund which is in violation of Ohio Rev. Code Section 5705.10.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2004, was as follows:

	Principal	Interest Rate
Promissory Note - Roof	\$21,685	6%
Capital Lease - Backhoe	16,051	
Total	\$37,736	

On October 1, 2001, the Township entered into a capital lease in the amount of \$48,128 for the purchase of a new backhoe, with a down payment of \$8,000 and the balance due in equal annual installments with a bargain purchase price of \$1.00 on October 1, 2006. Payments are to be made from the General Fund, Cemetery Fund, Road and Bridge Fund and the Permissive Motor Vehicle License Tax Fund. It is illegal for Townships to enter into a capital lease per Ohio Attorney General Opinion 2000-19.

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

On April 19, 2004, the Township took out a promissory note in the amount of \$21,685 for the payment of a new roof for the Memorial Building, with interest at the rate of 6% per annum, maturing on April 19, 2006, payable in annual installments. This debt will be retired from the General Fund.

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

Year ending December 31:	<u>Promissory Note - Roof</u>	<u>Capital Lease - Backhoe</u>	<u>Total</u>
2005	\$12,301	\$9,161	\$21,462
2006	11,326	9,162	20,488
Total	<u>\$23,627</u>	<u>\$18,323</u>	<u>\$41,950</u>

6. RETIREMENT SYSTEMS

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

OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Risk Pool Membership

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003 the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

	<u>2004</u>	<u>2003</u>
Assets	\$6,685,522	\$5,402,167
Liabilities	\$2,227,808	\$1,871,123
Members' Equity	<u>\$4,457,714</u>	<u>\$3,531,044</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

8. SUBSEQUENT EVENTS

During 2005, the Township approved the purchase of a new fire truck for approximately \$251,000 and the construction of a new storage building at the cemetery for approximately \$62,000.

The Township will place a one mil additional operating levy on the November ballot. If passed, it is estimated that this levy will generate approximately \$45,000 per year.



**Auditor of State
Betty Montgomery**

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

Richland Township
Logan County
P.O. Box 85
Belle Center, OH 43310

To the Board of Trustees:

We have audited the financial statements of Richland Township, Logan County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated September 20, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated September 20, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-006. In a separate letter to the Township's management dated September 20, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

September 20, 2005

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Finding for Recovery / Repaid Under Audit

Township Resolution (unnumbered) dated December 10, 1999, states “. . . The Township shall offer all Township Trustees, the Clerk and Employees reimbursement for only those Health Care Benefits as listed in Ohio Rev. Code 505.60. The benefits that will be reimbursed, pursuant to Ohio Rev. Code 505.60, are the following:

Provide for hospitalization, surgical care and major medical care as provided in Section 505.60. The amount the Township will reimburse all of its Trustees, Clerk, and Employees who participate in this reimbursement plan shall be the Trustees, the Clerk’s or the Employees out of pocket premium costs, not to exceed \$200.00 per individual per month.”

During 2003, Charles Kotterman, Trustee, was reimbursed \$2,568.28 for insurance premiums. As a result Mr. Kotterman was reimbursed \$168.28 more for insurance premiums than allowed by the Township.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money that has been illegally expended, is hereby rendered against, Charles Kotterman, Trustee, and his bonding company Ohio Government Risk Management Plan, jointly and severally, in the amount of \$168.28, and in favor of the Township’s General Fund.

This finding for recovery was repaid on October 18, 2005 with receipt number 291-2005.

FINDING NUMBER 2004-002

Finding for Recovery / Repaid Under Audit

Township Resolution (unnumbered) dated December 10, 1999, states “. . . The Township shall offer all Township Trustees, the Clerk and Employees reimbursement for only those Health Care Benefits as listed in Ohio Rev. Code 505.60. The benefits that will be reimbursed, pursuant to Ohio Rev. Code 505.60, are the following:

Provide for hospitalization, surgical care and major medical care as provided in Section 505.60. The amount the Township will reimburse all of its Trustees, Clerk, and Employees who participate in this reimbursement plan shall be the Trustees, the Clerk’s or the Employees out of pocket premium costs, not to exceed \$200.00 per individual per month.”

During 2004, the Township reimbursed the clerk, Gretchen Anderson, the sum of \$388.56 for dental premiums. Dental coverage is not included in the benefits to be reimbursed by the Township.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public money that has been illegally expended, is hereby rendered against, Gretchen Anderson, Clerk, and her bonding company Ohio Government Risk Management Plan, jointly and severally, in the amount of \$388.56, and in favor of the Township’s General Fund.

This finding for recovery was repaid on October 13, 2005 with receipt number 282-2005.

FINDING NUMBER 2004-003

Noncompliance

Ohio Rev. Code 145.01 (R) (1) states “. . . Except as otherwise provided in division (R) of this section, “earnable salary” for the calculation of Ohio Public Employees Retirement System (OPERS) withholdings, means all salary, wages, and other earnings paid to a contributor by reason of employment in a position covered by the retirement system. . . . “Earnable salary” includes the following: allowances paid by the employer for full maintenance, consisting of housing, laundry, and meals, as certified to the retirement board by the employer or the head of the department that employs the contributor. . . .”

The Township owns and maintains a residential house and requires the cemetery sexton to reside there so that he is available all day, every day. No income taxes were withheld on this amount. The Township calculated the cemetery sexton’s OPERS withholdings and employer match on an amount based on his actual gross wages plus the Township’s determination of a monthly housing allowance of \$125.

Because the Township’s intention is to require the sexton to live in this house, said amount should not be included in wages subject to retirement.

The Township should correct the sexton’s account with OPERS and request reimbursement of the Township’s matching portion.

FINDING NUMBER 2004-004

Noncompliance

Ohio Rev. Code Section 505.601 states that Townships are permitted to reimburse a township officer or employee for out-of-pocket premiums for insurance policies. The reimbursement is permitted for a township officer or employee who is *denied coverage* under a township health care plan established pursuant to Ohio Rev. Code Section 505.60, *or who elects not to participate* in the township’s plan. The reimbursement cannot exceed an amount equal to the average premium paid by the township under the policies it procures.

A township that *does not procure health care benefits* for its officers and employees is permitted to reimburse any township officer or employee for each out-of-pocket premium that the officer or employee incurs. However, pursuant to Ohio Rev. Code Section 505.601, the following three conditions must be met:

1. The board of township trustees adopts a resolution stating that the township has chosen not to procure a health care plan and has chosen instead to reimburse its officers and employees for each out-of-pocket premium,
2. The resolution provides for a uniform maximum monthly or yearly payment amount for each officer and employee,
3. The resolution states the specific benefits, pursuant to Ohio Rev. Code Section 505.60(A), that will be reimbursed.

On December 10, 1999, the Trustees passed a resolution offering all Township Trustees, the Clerk and Employees reimbursement for hospitalization, surgical care and major medical care premiums as provided in Section 505.60 of the Ohio Revised Code in an amount not to exceed \$200.00 per individual per month. This resolution did not indicate that the Township has chosen not to procure a health care plan under Section 505.60, when in fact, the Township has been procuring health insurance benefits under Section 505.60.

**FINDING NUMBER 2004-004
 (Continued)**

This resolution did not indicate that the Township has chosen not to procure a health care plan, when, in fact, the Township has been procuring health insurance benefits under Section 505.60.

The Township should make a decision as to which section of the Ohio Revised Code it intends to follow for providing health benefits. If necessary, the Township should consult with its legal counsel for assistance in determining how to resolve this issue. The Township's failure to correct this issue could result in findings for recovery against officials and employees in subsequent audits.

FINDING NUMBER 2004-005

Noncompliance

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.

During 2003, tax revenues belonging to the Special Revenue Fire Fund were recorded in the Debt Service Fund.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts. The financial statements in this report reflect these adjustments. These adjustments had the following effect upon the respective fund balances:

	<u>Special Revenue – Fire Fund</u>	<u>Debt Service Fund</u>
2003	\$31,791	(\$31,791)

The Township should implement monitoring procedures to help assure revenues are recorded in the correct fund.

FINDING NUMBER 2004-006

Noncompliance

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

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the entity can authorize the drawing of a warrant for the payment of the amount due. The entity has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

**FINDING NUMBER 2004-006
(Continued)**

Amounts of less than \$1,000 (\$3,000, effective April 7, 2003) 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 entity.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 (an amount established by resolution or ordinance adopted by the legislative authority, effective September 26, 2003) against any specific line item account over a period not exceeding three months (three month limitation was eliminated effective September 26, 2003) or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

During 2004 and 2003, the Township did not properly certify the availability of funds prior to purchase commitment for 20% of the expenditures and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

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 Clerk should certify that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The Township should certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**RICHLAND TOWNSHIP
LOGAN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	ORC Sec. 5705.10 - Restricted revenue was recorded in the wrong fund.	No	Repeated as finding 2004-005
2002-002	ORC Sec. 5705.41(D) - Failure to obtain certification of funds prior to expenditure.	No	Repeated as finding 2004-006
2002-003	2000 OAG # 2000-19 – Illegal lease for road work equipment.	Yes	



**Auditor of State
Betty Montgomery**

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800-282-0370

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RICHLAND TOWNSHIP

LOGAN 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
NOVEMBER 10, 2005**