

Randolph Township

PORTAGE COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2006 & 2005

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Randolph Township
3132 Laubert Road
Randolph, Ohio 44265

We have reviewed the *Report of Independent Accountants* of Randolph Township, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Accountants* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Accountants* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Randolph Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 27, 2007

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RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
Audit Report
For the years ended December 31, 2006 & 2005

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REPORT OF INDEPENDENT ACCOUNTANTS

Randolph Township
Portage County
3636 Waterloo Rd.
Randolph, Ohio 44265

To the Board of Trustees:

We have audited the accompanying financial statements of Randolph Township, Portage County, Ohio (the Township) as and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for both years. 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 the 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial 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 Randolph Township, Portage County as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 August 17, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and 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.

Charles E. Harris & Associates, Inc.

August 17, 2007

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2006

	Governmental Fund Types			(Memorandum Only) Total
	General	Special Revenue	Permanent Fund	
Cash Receipts:				
Property and Other Local Taxes	\$ 120,691	\$ 578,382	-	\$ 699,073
Intergovernmental	136,572	183,364	-	319,936
Licenses, Permits and Fees	22,809	9,593	-	32,402
Earnings on Investments	8,406	1,536	\$ 96	10,038
Miscellaneous	27,916	24,542	-	52,458
Total Cash Receipts	316,394	797,417	96	1,113,907
Cash Disbursements:				
General Government	231,108	140,273	-	371,381
Public Safety	-	137,207	-	137,207
Public Works	10,596	350,448	-	361,044
Health	16,737	11,975	-	28,712
Capital Outlay	116,480	55,373	-	171,853
Debt Service:				
Principal Payments	16,012	20,127	-	36,139
Interest Payments	2,331	2,152	-	4,483
Total Cash Disbursements	393,264	717,555	-	1,110,819
Total Cash Receipts Over/(Under) Cash Disbursements	(76,870)	79,862	96	3,088
Other Financing Sources/(Uses):				
Inception of Capital Lease	101,710	-	-	101,710
Sale of Fixed Assets	-	8,514	-	8,514
Other Financing Uses	(1,633)	-	-	(1,633)
Total Other Financing Sources/(Uses)	100,077	8,514	-	108,591
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	23,207	88,376	96	111,679
Fund Balance, January 1, 2006 (See Note 8)	116,505	506,200	3,796	626,501
Fund Balance, December 31, 2006	\$ 139,712	\$ 594,576	\$ 3,892	\$ 738,180
Reserve for Encumbrances, December 31, 2006	\$ 6,481	\$ 18,418	\$ -	\$ 24,899

See accompanying Notes to the Financial Statements.

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND
For the Year Ended December 31, 2005

	Governmental Fund Types		Fiduciary Fund	(Memorandum
	General	Special Revenue	Type Expendable Trust	Only) Total
Cash Receipts:				
Property and Other Local Taxes	\$ 115,673	\$ 559,824	-	\$ 675,497
Intergovernmental	159,406	159,223	-	318,629
Licenses, Permits and Fees	22,458	14,500	-	36,958
Earnings on Investments	5,619	824	\$ 140	6,583
Miscellaneous	23,062	44,055	-	67,117
Total Cash Receipts	326,218	778,426	140	1,104,784
Cash Disbursements:				
General Government	233,676	136,031	-	369,707
Public Safety	-	91,799	-	91,799
Public Works	60	335,887	-	335,947
Health	1,062	5,399	-	6,461
Capital Outlay	39,562	132,630	-	172,192
Debt Service:				
Principal Payments	-	24,963	-	24,963
Interest Payments	-	1,073	-	1,073
Total Cash Disbursements	274,360	727,782	-	1,002,142
Total Cash Receipts Over/(Under) Cash Disbursements	51,858	50,644	140	102,642
Other Financing Sources/(Uses):				
Inception of Capital Lease	-	81,385	-	81,385
Total Other Financing Sources/(Uses)	-	81,385	-	81,385
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	51,858	132,029	140	184,027
Fund Balance, January 1, 2005 (See Note 7)	64,647	370,042	3,989	438,678
Fund Balance, December 31, 2005	\$ 116,505	\$ 502,071	\$ 4,129	\$ 622,705
Reserve for Encumbrances, December 31, 2005	\$ 12,608	\$ 36,844	\$ -	\$ 49,452

See accompanying Notes to the Financial Statements.

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES - FIDUCIARY FUND TYPES
For the Year Ended December 31, 2005

	Fiduciary Fund Types Nonexpendable Trust
Cash Receipts:	
Earnings on Investments	\$ 28
Total Operating Cash Receipts	28
Total Operating Cash Disbursements	-
Operating Income	28
Fund Balance, January 1, 2005	3,768
Fund Balance, December 31, 2005	\$ 3,796

See accompanying Notes to the Financial Statements.

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Randolph Township, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected, three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Portage County Sheriff's Department to provide security of persons and property.

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 prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed by the Auditor of State.

C. CASH AND INVESTMENTS

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The Township values certificates of deposits 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:

Governmental Fund Types:

1. General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. FUND ACCOUNTING - (continued)

2. Special Revenue Funds

To account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Fund:

Road & Bridge Fund – This fund receives property tax money levied for the funding of the repair of the Township's roads.

3. Permanent Fund (2006)

To account for the Township permanent cemetery projects such as fencing, chapel and utility building. The corpus of the trust must remain intact and only the interest may be spent.

Fiduciary Fund Types:

1. Trust Funds (2005)

These funds account for resources restricted by legally binding trust agreements. In 2005, the Township had a Non-Expendable Trust Fund and an Expendable Trust Fund. Per Auditor of State Bulletin 2005-005 on the fund classification for non-GAAP filers, these funds have been reclassified as Special Revenue-Cemetery Bequest Funds and Permanent Funds effective in 2006. A restatement of prior year's fund balance is shown in Note 8.

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 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 balances as of January 1. The County Budget Commission must also approve estimated resources.

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO

Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

E. BUDGETARY PROCESS – (continued)

1. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year- end are carried over and need not be reappropriated.

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

F. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. ACCUMULATED LEAVE

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>		<u>2005</u>
Demand Deposits	\$ 456,257	\$	\$ 356,046
Certificates of Deposits	<u>281,923</u>		<u>270,455</u>
Total Deposits	\$ <u>738,180</u>	\$	\$ <u>626,501</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) collateralized by the financial institution's public entity deposit pool.

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

3. BUDGETARY ACTIVITY

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

2006 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 375,943	\$ 418,104	\$ 42,161
Special Revenue	795,751	805,931	10,180
Permanent Funds	77	96	19
Total	\$ 1,171,771	\$ 1,224,131	\$ 52,360

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 479,840	\$ 401,378	\$ 78,462
Special Revenue	1,239,381	735,973	503,408
Permanent Funds	662	0	662
Total	\$ 1,719,883	\$ 1,137,351	\$ 582,532

2005 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 297,672	\$ 326,218	\$ 28,546
Special Revenue	866,887	859,811	(7,076)
Fiduciary Funds:			
Expendable Trust	140	140	0
Nonexpendable Trust	0	28	28
Total	\$ 1,165,110	\$ 1,186,197	\$ 21,087

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 319,319	\$ 286,968	\$ 32,351
Special Revenue	1,186,232	764,626	421,606
Fiduciary Funds:			
Expendable Trust	4,129	0	4,129
Nonexpendable Trust	558	0	558
Total	\$ 1,510,238	\$ 1,051,594	\$ 458,644

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

4. PROPERTY TAXES

Real property becomes a lien on January 1 preceding the October 1 date for which rates are adopted by Township Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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 on the property owners, who must file a list of such property to the County by each April 30.

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

5. RETIREMENT SYSTEM

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2006, OPERS members contributed 9% of their gross salaries. For 2005, OPERS members contributed 8.5 % of their gross salaries. The Township contributed an amount equal to 13.70% for 2006 and 13.55% for 2005 of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage - OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 for claims that occurred prior to January 1, 2006 and \$3,000,000 to \$13,000,000 for claims that occurring after January 1, 2006 with the General Reinsurance Corporation, through contracts with OTARMA.

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

6. RISK MANAGEMENT – (continued)

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to an annual aggregate limit of \$10,000,000.

Property Coverage - Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 & 2005 was \$1,901,127 and \$1,712,113, respectively.

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

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

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position - OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

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

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

6. RISK MANAGEMENT – (continued)

The casualty coverage assets and retained earnings above include approximately \$12.1 million and \$11.6 million of unpaid claims to be billed to approximately 958 member townships in the future, as of December 31, 2006 and 2005, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

7. PRIOR AUDIT ADJUSTMENTS

A prior audit adjustment of beginning fund balances is necessary based on the recommendation of the Auditor of State upon review of the prior year audit. The prior year auditors made the following adjustments in the 2004-2003 audit:

- a. Increase Fund 3101 balance by +\$272
- b. Increase Fund 3104 balance by +\$39,944
- c. Decrease Fund 3105 balance by -\$5,794

Upon review of all the loan agreements and the legal opinions from the Portage County Prosecutor's Office, the Auditor of State determined that there was no legal or Ohio Compliance reason for the creation and use of Funds 3101, 3104, and 3105 to account for the activity (tax revenue and debt payments) of any of these debts. This activity may, and should have been accounted for in the related special revenue funds.

Therefore, the above mentioned fund balance adjustments were made to the following special revenue funds:

- a. Increase Fund 2111 (Fire Fund) balance by +\$272
- b. Increase Fund 2031 (Road & Bridge fund) by +\$39,944
- c. Decrease Fund 2031 (Road & Bridge fund) by -\$5,794

8. RESTATEMENT OF FIDUCIARY FUND BALANCE

	<u>2005 Fund Balance</u>		<u>Restatement in 2006</u>		<u>Restated Fund Balance, 2006</u>
Fiduciary Fund: Non-Expendable Trust	\$ 3,796	\$	(3,796)	\$	0
Fiduciary Fund: Expendable Trust	4,129		(4,129)		0
Special Revenue: Cemetery Bequest	0		4,129		4,129
Permanent Fund	0		3,796		3,796

The restatement was done to comply with the Auditor of State requirement stated in Bulletin 2005-005. Bulletin 2005-005 states that local governments that prepare non-GAAP, cash-basis financial statements were required to reclassify their nonexpendable and expendable trust funds as part of the governmental fund category effective January 1, 2006. The Township's nonexpendable trust fund can be spent for any township permanent cemetery project such as fencing, chapel and utility building as long it maintains a balance of \$3,202. Thus it was reclassified as Permanent Fund. The Township's expendable trust fund can spend its principal and interest earnings on any of the Township's cemetery projects. Thus it was reclassified as a Special Revenue-Cemetery Bequest Fund.

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO**

**Notes To The Financial Statements
For The Years Ended December 31, 2006 & 2005**

9. CAPITAL LEASE-PURCHASE

Capital lease outstanding as of December 31, 2006:

	<u>Principal</u>	<u>Interest Rate</u>
OHIO TOWNSHIP ASSOCIATION LEASING:		
Ambulance	\$ 61,257	4.49%
Town Hall	<u>85,699</u>	4.61%
Total	\$ <u>146,956</u>	

The Township purchased an ambulance in the amount of \$113,979 of which \$81,385 was financed through a renewable lease purchase-agreement with the Ohio Township Association, while the balance was financed by locally by the Township. It also started the Phase II of its Town Hall renovation through another lease-purchase agreement with the Ohio Township Association in the amount of \$101,710. The lease payment requirements to retire long-term obligations outstanding at December 31, 2006 are as follows:

Year Ended December 31:	<u>Ambulance</u>	<u>Town Hall</u>
2007	\$ 22,279	\$ 36,686
2008	22,279	36,686
2009	<u>22,278</u>	<u>18,343</u>
Subtotal	66,838	91,715
Amount representing interest	<u>(5,581)</u>	<u>(6,016)</u>
Total principal	\$ <u>61,257</u>	\$ <u>85,699</u>

10. CONTINGENT LIABILITIES

Management believes there are no pending claims or lawsuits.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Randolph Township
Portage County
3636 Waterloo Road
Randolph, Ohio 44265

To the Board of Trustees:

We have audited the financial statements of Randolph Township, Portage County, Ohio (Township) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated August 17, 2007, wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in the accompanying schedule of findings, items 2006-Randolph-01 and 02, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2006-Randolph-01 in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2006-Randolph-02.

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 noted certain matters that we have reported to management of the Township in a separate letter dated August 17, 2007.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Charles E. Harris & Associates, Inc.

August 17, 2007

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS
December 31, 2006 & 2005

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2006-Randolph-01

Material Weakness – Township not Reconciled

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

During 2005 and 2006, the Township closed out its books each month, however, they did not properly reconcile their fund balances to their bank balances. At the close of 2005 and 2006, the Township was unreconciled by \$1,230 and \$4,085, respectively. Per review of documentation, the it was noted that the Township had not properly recorded its earnings on investments mostly in the current year, but in a prior year, as well, thus its fund balances were understated compared to their bank balances.

The condition may have led to the Township making financial decisions with inaccurate fund balances. These amounts were adjusted in the financial statements. The accounting system now balances with the cash in the bank.

We recommend the Township reconcile their accounting system to the bank balances on a monthly basis and post interest earned on a timely basis.

The Township has complied and has balanced its system with the bank in the current period.

FINDING NUMBER 2006-Randolph-02

Noncompliance and Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) provides that all local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance and finance-related legal and contractual requirements and prepare financial statements.

**RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
SCHEDULE OF FINDINGS – (continued)
December 31, 2006 & 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (continued)
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FINDING NUMBER 2006-Randolph-02 – (continued)

Per Ohio Admin. Code Section 117-2-02(D), accounting records that can help achieve these objectives include, in part:

1. Cash journal, which typically includes the amount, date, receipt number, check number, account code, purchase order number, and any other information necessary to properly classify the transaction.
2. Receipts ledger, which typically assembles and classifies receipts into separate accounts for each type of each fund the public office uses. The amount, date, name of payor, purpose, receipt number, and other information required for the transactions can be recorded on this ledger.

The Ohio Township Handbook (revised December 2006) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

During 2005 and 2006, the Township entered into renewable lease-purchase agreements with the Ohio Township Association for the purchase of an ambulance and renovation of the town hall. Monies received for these agreements were classified as miscellaneous revenue in its books. These amounts were reclassified to Inception of Capital Lease. In paying for these lease principal and interest, the Township classified the payment as capital outlay. These amounts were reclassified as Debt Service Principal and Interest Payments.

We recommend the Township follow the Ohio Township Handbook to properly classify its transactions.

The Township agrees and will comply to record all transactions properly.

RANDOLPH TOWNSHIP
PORTAGE COUNTY, OHIO
December 31, 2006 & 2005

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:
2004-001	<u>Ohio Revised Code</u> Section 507.09(A)- Clerk overpaid	Yes	
2004-002	<u>Ohio Revised Code</u> Section 5705.41 (B)- Expenditures exceeded Appropriations	Yes	
2004-003	Township not reconciled	No	See Finding No. 2006- Randolph-01



Mary Taylor, CPA
Auditor of State

RANDOLPH TOWNSHIP

PORTAGE 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
OCTOBER 9, 2007**