



Dave Yost • Auditor of State

**RICHLAND TOWNSHIP
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balance (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2012	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balance (Cash Basis) - Fiduciary Fund Type - For the Year Ended December 31, 2011	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17
Schedule of Prior Audit Findings	21

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Richland Township
Darke County
9269 Greenville-St. Mary's Road
Greenville, Ohio 45331

To the Township Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Richland Township, Darke County, (the Township) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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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, 2012 and 2011, 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, Darke County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2013, 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

September 11, 2013

**RICHLAND TOWNSHIP
DARKE COUNTY**

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

	Governmental Fund Types		Totals
	General	Special Revenue	(Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$33,364	\$20,201	\$53,565
Licenses, Permits and Fees		1,800	1,800
Fines and Forfeitures	50		50
Intergovernmental	31,161	97,925	129,086
Earnings on Investments	169	87	256
Miscellaneous		875	875
Total Cash Receipts	<u>64,744</u>	<u>120,888</u>	<u>185,632</u>
Cash Disbursements:			
Current:			
General Government	42,168	6,106	48,274
Public Safety		88,825	88,825
Public Works	1,009	27,982	28,991
Health	3,244	687	3,931
Total Cash Disbursements	<u>46,421</u>	<u>123,600</u>	<u>170,021</u>
Total Receipts Over/(Under) Disbursements	<u>18,323</u>	<u>(2,712)</u>	<u>15,611</u>
Other Financing Receipts/(Disbursements):			
Sale of Capital Assets	700		700
Other Financing Sources	166	1,200	1,366
Other Financing Uses	(45)		(45)
Total Other Financing Receipts/(Disbursements)	<u>821</u>	<u>1,200</u>	<u>2,021</u>
Net Change in Fund Cash Balances	<u>19,144</u>	<u>(1,512)</u>	<u>17,632</u>
Fund Cash Balances, January 1	<u>20,992</u>	<u>386,171</u>	<u>407,163</u>
Fund Cash Balances, December 31:			
Restricted		384,659	384,659
Unassigned (Deficit)	40,136		40,136
Fund Cash Balances, December 31	<u>\$40,136</u>	<u>\$384,659</u>	<u>\$424,795</u>

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE (CASH BASIS) -
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Private Purpose Trust Funds</u>
Cash Receipts:	
Earnings on Investments	\$125
Total Cash Receipts	<u>125</u>
Fund Cash Balance, January 1	<u>13,554</u>
Fund Cash Balance, December 31	<u><u>\$13,679</u></u>

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$29,948	\$19,788	\$49,736
Licenses, Permits and Fees		5,150	5,150
Intergovernmental	30,066	105,876	135,942
Earnings on Investments	95	105	200
Total Cash Receipts	<u>60,109</u>	<u>130,919</u>	<u>191,028</u>
Cash Disbursements:			
Current:			
General Government	48,937	5,927	54,864
Public Safety		99,470	99,470
Public Works	28,275	1,125	29,400
Health	3,098		3,098
Total Cash Disbursements	<u>80,310</u>	<u>106,522</u>	<u>186,832</u>
Total Receipts Over/(Under) Disbursements	<u>(20,201)</u>	<u>24,397</u>	<u>4,196</u>
Other Financing Receipts/(Disbursements):			
Transfers In		23,702	23,702
Other Financing Sources	166	249	415
Total Other Financing Receipts/(Disbursements)	<u>166</u>	<u>23,951</u>	<u>24,117</u>
Net Change in Fund Cash Balances	<u>(20,035)</u>	<u>48,348</u>	<u>28,313</u>
Fund Cash Balances, January 1	<u>41,027</u>	<u>337,823</u>	<u>378,850</u>
Fund Cash Balances, December 31:			
Restricted		386,171	386,171
Unassigned (Deficit)	20,992		20,992
Fund Cash Balances, December 31	<u>\$20,992</u>	<u>\$386,171</u>	<u>\$407,163</u>

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGE IN FUND CASH BALANCE (CASH BASIS) -
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Private Purpose Trust Funds</u>
Cash Receipts:	
Earnings on Investments	\$214
Total Cash Receipts	<u>214</u>
Cash Disbursements:	
Transfers Out	<u>23,702</u>
Total Cash Disbursements	<u>23,702</u>
Fund Cash Balance, January 1	<u>37,042</u>
Fund Cash Balance, December 31	<u><u>\$13,554</u></u>

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011**

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, Darke County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township also has an elected Township Fiscal Officer. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Ansonia Fire Department, Gettysburg Fire Department, and Versailles Fire Department to provide fire and emergency medical services.

The Township participates in Ohio Township Association Risk Management Authority (OTARMA) public entity risk pool. Note 7 of the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Township values certificates of deposit at cost.

D. Fund Accounting

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

1. General Fund

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Motor Vehicle License Fund – This fund receives motor vehicle license money to pay for constructing, maintaining and repairing Township roads.

Fire District Levy Fund – This fund receives the proceeds of a property tax levy for providing fire & emergency medical services.

Cemetery Fund – This fund receives receipts from the sale of lots and opening and closing of graves. The fund's resources finance cemetery maintenance costs.

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 funds are for the benefit of certain individuals, as stated in the last will and testament.

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

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

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

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, department, and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 budgetary activity appears in Note 4.

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
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2011, the Township implemented Governmental Accounting Standard Board (GASB) Statement No. 54 as required. However, no funds were reclassified as required by the revised fund classification guidance which would affect fund balances previously reported.

3. 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:

	2012	2011
Demand deposits	\$407,492	\$389,735
Certificates of deposit	30,982	30,982
Total deposits	438,474	420,717

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$57,818	\$65,610	\$7,792
Special Revenue	123,148	122,088	(1,060)
Fiduciary	125	125	0
Total	\$181,091	\$187,823	\$6,732

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$101,624	\$46,466	\$55,158
Special Revenue	453,192	123,600	329,592
Fiduciary	0	0	0
Total	\$554,816	\$170,066	\$384,750

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,830	\$60,275	(\$555)
Special Revenue	119,608	154,870	35,262
Fiduciary	214	214	0
Total	\$180,652	\$215,359	\$34,707

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$121,124	\$80,310	\$40,814
Special Revenue	432,034	106,522	325,512
Fiduciary	0	0	0
Total	\$553,158	\$186,832	\$366,326

5. 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.

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

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

7. RISK MANAGEMENT

Risk Pool Membership

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

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

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT (Continued)

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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, 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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	(9,355,082)	(9,718,792)
Net Position	\$25,416,188	\$25,367,373

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
\$4,765	\$5,084

**RICHLAND TOWNSHIP
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT (Continued)

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.

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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
Darke County
9269 Greenville-St. Mary's Road
Greenville, Ohio 45331

To the Township 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 Richland Township, Darke County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 11, 2013 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit and the Township adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 2012-001 and 2012-003 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 2012-001 and 2012-002.

Entity's Response to Findings

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.

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.



Dave Yost
Auditor of State
Columbus, Ohio

September 11, 2013

**RICHLAND TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

Noncompliance Citation and Material Weakness

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

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

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

95% of the Trustees' salaries were paid from the gasoline tax fund during 2011 and 2012. However, the Trustees did not adequately document their time from January 1, 2011 to September 29, 2011. Effective September 29, 2011, the law was modified and the Township's method of payroll certification was deemed adequate from that date through the end of the audit period. By failing to adequately document their time, Trustees could not assure that the proportionate amount paid from the gasoline tax fund properly reflected the proportion of time spent on roads and highways within the township relative to the total time spent on township business. From the period of January 1, 2011 to September 29, 2011, the Township paid \$22,715 from the gasoline tax fund for Trustee payroll and health insurance reimbursements. These salary and health insurance reimbursement payments should have been paid from the General Fund. The Township's financial statements and accounting system has been adjusted to correct this error.

This noncompliance also occurred during the audit of the Township for the audit period 2005-2006 and the Township was directly informed of this requirement in the Auditor of State's management letter dated May 21, 2008. It was reported again in the Auditor of State's Schedule of Findings dated October 5, 2009 for the audit period 2007-2008. It was reported again in the Auditor of State's Schedule of Findings dated July 12, 2011 for the audit period 2009-2010. During the current audit period, the Township continued to record Trustee salary payments to the gasoline excise tax fund without administrative procedures established to account for Trustees' time spent on township business and the types of services performed from this restricted fund from January through September 2011. The Trustees properly followed payroll documentation requirements of the Ohio Revised Code from October 2011 through December 2012.

**FINDING NUMBER 2012-001
(Continued)**

Officials' Response: We will continue to create a Resolution at our Organizational Meeting at the end of each year, to adopt a salary method that will become effective Jan. 1, thru the end of that year. The Trustees will continue to follow the payroll document requirements of the ORC as they have been doing consistently since I took over Fiscal Office responsibilities April 1, 2012. Salaries will not be paid without the necessary "payroll certification sheet" completed properly. If there are changes in the breakdown of funds to use for the salaries for their time, the Trustees will bring this to the attention of the fiscal officer and necessary adjustments will be made. As noted in the findings – the Twp. financial statements and acct. system has been adjusted, at the guidance of your office, to correct errors found in this audit. I cannot make any corrections that occurred during the past audits other than to educate myself and my Trustees of the necessary steps to meet ORC 505.24(C), and ORC 5735.27(A)(5)(d) – which I will present again to them at our next meeting in October.

FINDING NUMBER 2012-002

Noncompliance Citation

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

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

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 Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

- Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**FINDING NUMBER 2012-002
(Continued)**

3. Super Blanket Certificate – The Township may also make expenditures and contract 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.

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 that Township funds will exceed budgetary spending limitations, the Township should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, “then and now” certification should be used. 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 Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The approved purchase commitments should be posted to the proper appropriation code, to reduce the available appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for eleven of the twenty six (42%) expenditures tested. Five of these instances were for transactions over \$3,000 with “then and now” certificates, with no evidence that the Trustees approved them by ordinance or resolution. Failure to properly certify the availability of funds can result in overspending funds and lead to negative cash fund balances.

Additionally, the Township did not establish by resolution or ordinance the limit amount for blanket certificates. In 2011, the Township issued blanket certificates, ranging from \$100 to \$4,600; and in 2012, the Township issued blanket certificates, ranging from \$69 to \$90,000. Failure to adopt a limit for blanket certificates can result in overspending funds and lead to negative cash fund balances.

The Township should implement procedures to ensure that all purchases that require prior certification are properly encumbered or meet one of the exceptions noted above. The Township should also establish a maximum blanket certificate amount.

Officials’ Response: We will review the fund summary reports, which are given at each monthly Trustee Mtg. with the Trustees to keep spending within the availability of funds and prevent overspending. In properly certifying the availability of funds, we will fine tune the process of expenditures of monies to include less use of “Then and Now” certificates and put any amounts over \$3,000 in the minutes and have Trustees acknowledge awareness by initialing paper work. For a resolution for certificates to include the necessary maximum spending amounts for blanket certificates, we presently create a resolution at Organization mtg. to document time frames for Blanket Cert. uses, spending amount maximums will be added and signed off on by Trustees. Usage of Purchase Orders will become primary and will help meet proper authorization and appropriation code when posting payments – thus decreasing errors in expenditures and process. We will stay within the timely requirement of using these certificates by following ORC 5705.41(D)(1) and 5705.41(D)(3). The fiscal officer will improve clarity of documentation in Meeting Minutes for purchases/expenditures discussed, availability of funds and prior certification. Presently, I feel we do discuss planned expenditures from the Trustees and fiscal officer; however, documentation needs to be improved to show this. I will put these financial discussions in the New Business part of our meetings, and suggest they contact me between mtg. to verify funds available for purchases of small amounts being determined at next meeting.

FINDING NUMBER 2012-003

Material Weakness – Financial Statement Errors

The Township prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Township's annual financial report for 2012 and 2011 contained errors which resulted in adjustments and reclassifications to correctly report the financial activity for the audit period as follows:

- In 2011 and 2012, property taxes collected and distributed to the Township for the fire levy in the amounts of \$18,362 and \$18,612 respectively, were incorrectly presented as charges for services in the Fire Levy Fund. The property taxes received for the special fire levy should be posted as property taxes in the Fire Levy Fund. Also, personal property reimbursement and homestead/rollback were improperly presented as charges for services in the Fire Levy Fund in the amount of \$3,397 in 2011 and \$3,292 in 2012. These monies should be posted as intergovernmental revenue. Reclassification entries to correct these errors are reflected in the accompanying financial statements.
- In 2011, personal property reimbursement and homestead/rollback was improperly presented as taxes in the General Fund in the amount of \$588. These monies should be posted as intergovernmental revenue. This error was not adjusted on the accompanying financial statements.
- The 2011 and 2012 combined and combining financial statements incorrectly reported the Private Purpose Trust Funds as Permanent Funds. These trust funds are not Permanent Funds as the bequests are to the benefit of specific individuals. The applicable funds have been presented as Private Purpose Trust Funds on the financial statements.
- Due to the expiration of specific terms within the will during 2011, the Clark Trust Funds should no longer be classified as Private Purpose Trust Funds (classified as Permanent Funds in the Township's records). These funds should be reclassified to the Cemetery Fund. An adjustment to move the financial activity related to the Clark Trust Funds to the Cemetery Fund is reflected in the accompanying financial statements for 2011 and 2012. The Township's accounting system has also been modified to properly include these funds as part of the Cemetery Fund.

The Township Fiscal Officer should review the Township chart of accounts prior to posting financial transactions to the accounting system to verify that all transactions are recorded correctly. Additionally, all activity related to the Clark Trust Funds should be accounted for in the Township's Cemetery Fund.

Officials' Response: Improved understanding of Twp. Chart of Acct. verbage will assure that transactions are recorded correctly. I had confused the "for services...." usage. Clarification of how Fire Levy Funds collected and posted will have them correctly posted as property taxes received in the Fire Levy Fund. Also, intergovernmental revenue should be used to post monies from personal property reimbursement and property taxes in the Fire Levy Fund. I had corrected these errors in 2012 with reclassification entries. 2011 personal property reimbursement and homestead/rollback was put into General Fund in the amt. of \$588, instead of intergovernmental revenue – I assume I can't change this due to the timing of this error. Much time has been put into trying to locate necessary wills and trust papers of Clark Trust funds and Coppess Trust. Presently, the Clark Trust fund 1&2 have been reclassified to the Cemetery fund and changed within the accounting system as modified to be part of the Cemetery Funds. All additional activities from these funds will be included in this Cemetery fund. Presently, we have our attorney working on locating legal copies of wills, trusts, etc. to get clarity on dates and bequests within these documents so we can correctly follow terms of said documents.

**RICHLAND TOWNSHIP
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	ORC Section 505.24(C), OAG Opinion 2004-036, and ORC Section 5735.27(A)(5)(d) – Allocation requirements of Trustee payroll to funds other than General Fund.	No	Not corrected. Re-issued as Finding Number 2012-01
2010-002	ORC Section 5705.38(C) – Legal level of control.	Yes	
2010-003	ORC Section 5705.36(A)(2) thru (A)(4) – Appropriations exceeding actual resources.	Yes	
2010-004	ORC Section 5705.41(B) – Expenditures in excess of appropriations.	Yes	
2010-005	ORC Section 5705.39 – Annual appropriations exceeding estimated resources.	Yes	
2010-006	ORC 5705.41(D)(1) – Prior certification of funds.	No	Not corrected. Re-issued as Finding Number 2012-002
2010-007	Financial Statement Reclassifications	No	Not Corrected. Re-issued as Finding Number 2012-003

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Dave Yost • Auditor of State

RICHLAND TOWNSHIP

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 7, 2013**