



Dave Yost • Auditor of State

ROUNDHEAD TOWNSHIP
HARDIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011	4
Notes to the Financial Statements	5
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	18

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Dave Yost • Auditor of State

INDEPENDENT AUDITORS' REPORT

Roundhead Township
Hardin County
P.O. Box 133
Roundhead, Ohio 43346

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Roundhead Township, Hardin 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 fair 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.

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 Roundhead Township, Hardin 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 1F 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 June 6, 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

June 6, 2013

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$54,703	\$25,837		\$80,540
Charges for Services		4,000		4,000
Licenses, Permits and Fees	329	3,600		3,929
Intergovernmental	31,475	105,389	\$13,791	150,655
Earnings on Investments	2,305	818		3,123
Miscellaneous	1,939	3,200		5,139
Total Cash Receipts	<u>90,751</u>	<u>142,844</u>	<u>13,791</u>	<u>247,386</u>
Cash Disbursements:				
Current:				
General Government	22,786			22,786
Public Safety	1,572	19,702		21,274
Public Works	3,498	88,865		92,363
Health	10,436			10,436
Other		28		28
Capital Outlay	40	17,722	13,791	31,553
Intergovernmental	6,250			6,250
Debt Service:				
Principal Retirement		7,603		7,603
Interest and Fiscal Charges		1,758		1,758
Total Cash Disbursements	<u>44,582</u>	<u>135,678</u>	<u>13,791</u>	<u>194,051</u>
Excess of Receipts Over Disbursements	<u>46,169</u>	<u>7,166</u>		<u>53,335</u>
Other Financing Receipts :				
Sale of Capital Assets		13,300		13,300
Net Change in Fund Cash Balances	46,169	20,466		66,635
Fund Cash Balances, January 1	<u>312,402</u>	<u>143,604</u>		<u>456,006</u>
Fund Cash Balances, December 31:				
Restricted		164,070		164,070
Unassigned (Deficit)	358,571			358,571
Fund Cash Balances, December 31	<u>\$358,571</u>	<u>\$164,070</u>	<u>\$0</u>	<u>\$522,641</u>

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

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Other Local Taxes	\$34,761	\$19,335	\$54,096
Charges for Services		4,251	4,251
Licenses, Permits and Fees	494	600	1,094
Intergovernmental	172,190	94,758	266,948
Earnings on Investments	2,167	940	3,107
Miscellaneous	2,465	4,445	6,910
Total Cash Receipts	<u>212,077</u>	<u>124,329</u>	<u>336,406</u>
Cash Disbursements:			
Current:			
General Government	38,894		38,894
Public Safety	913	10,441	11,354
Public Works	3,495	72,916	76,411
Health	9,810	290	10,100
Other		14	14
Capital Outlay	1,838	74,827	76,665
Intergovernmental	6,250		6,250
Debt Service:			
Principal Retirement		22,339	22,339
Interest and Fiscal Charges		2,153	2,153
Total Cash Disbursements	<u>61,200</u>	<u>182,980</u>	<u>244,180</u>
Excess of Receipts Over (Under) Disbursements	<u>150,877</u>	<u>(58,651)</u>	<u>92,226</u>
Other Financing Receipts :			
Other Debt Proceeds		15,000	15,000
Net Change in Fund Cash Balances	<u>150,877</u>	<u>(43,651)</u>	<u>107,226</u>
Fund Cash Balances, January 1	<u>161,525</u>	<u>187,255</u>	<u>348,780</u>
Fund Cash Balances, December 31:			
Restricted		143,604	143,604
Unassigned (Deficit)	312,402		312,402
Fund Cash Balances, December 31	<u>\$312,402</u>	<u>\$143,604</u>	<u>\$456,006</u>

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

**ROUNDHEAD TOWNSHIP
HARDIN 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 the Roundhead Township, Hardin County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road maintenance, cemetery maintenance, and fire protection services. The Township contracts with Upper Scioto Valley Ambulance District to provide ambulance services.

The Township participates in two jointly governed organizations, a joint venture and a public entity risk pool. Notes 7, 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

1. Jointly Governed Organizations:

Upper Scioto Valley Ambulance District - provides emergency medical services within the Township.

Hardin County Regional Planning Commission – The Commission makes studies, maps, plans, recommendations and report concerning the physical, environmental, social, economic, and governmental characteristics, functions and services of the County.

2. Joint Venture:

The McDonald-Roundhead Joint Recreational District (JRD) is a joint park district operated with McDonald Township.

3. Public Entity Risk Pool:

Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships.

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

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.

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Fire District Fund - This fund receives property tax money to provide fire protection services.

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

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 significant Capital Project Fund:

Public Works Fund - The fund accounts for Issue II money spent on behalf of the Township for maintaining and repairing Township roads.

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. 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.

**ROUNDHEAD TOWNSHIP
HARDIN 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 cancelled, and re-appropriated in the subsequent year.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

The Township classifies assets as *non-spendable* 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.

**ROUNDHEAD TOWNSHIP
HARDIN 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. EQUITY IN POOLED DEPOSITS

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

	2012	2011
Demand deposits	\$103,220	\$38,001
Certificates of deposit	130,902	129,258
Other time deposits (savings and NOW accounts)	288,519	288,747
Total deposits	\$522,641	\$456,006

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, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 50,107	\$ 90,751	\$40,644
Special Revenue	112,214	156,144	43,930
Capital Projects	13,791	13,791	
Total	\$176,112	\$260,686	\$84,574

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$348,750	\$44,582	\$304,168
Special Revenue	230,216	135,678	94,538
Capital Projects	13,791	13,791	
Total	\$592,757	\$194,051	\$398,706

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$199,308	\$212,077	\$12,769
Special Revenue	128,513	139,329	10,816
Total	\$327,821	\$351,406	\$23,585

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$348,750	\$61,200	\$287,550
Special Revenue	244,007	182,980	61,027
Total	\$592,757	\$244,180	\$348,577

The Township did not record interest in the Gasoline Tax and Motor Vehicle License Tax Funds in 2012 which violated Ohio Rev. Code Sections 135.21 and 5705.10. During 2012 the Township did not established a separate funds for Issue II money or for two federal fire grants which violated Ohio Rev. Code Section 5705.09(F). Ohio Rev. Code Section 505.601 was violated when the Township reimbursed for health insurance premiums when their policy indicates health insurance will be procured.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Truck	\$24,103	5.25%

On February 11, 2011, the Township entered into a promissory note in the amount of \$15,000 to purchase a fire truck. This note was paid off by the Township on April 26, 2011.

On June 4, 2007, the Township entered into a promissory note to purchase a fire truck. This note matures on April 30, 2015. Interest and principal payment is due annually to Liberty National Bank.

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

5. DEBT (Continued)

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

<u>Year ending December 31:</u>	<u>Promissory Note</u>
2013	\$ 9,361
2014	9,361
2015	9,361
Total	<u>\$28,083</u>

6. RETIREMENT SYSTEMS

The Township's officials and employees 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

A. Risk Pool Membership

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

B. Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

7. RISK MANAGEMENT (Continued)

C. 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, 2011 and 2010 (the latest information available):

	2011	2010
Assets	\$35,086,165	\$35,855,252
Liabilities	(9,718,792)	(10,664,724)
Net Assets	\$25,367,373	\$25,190,528

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$5,000.

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.

Contributions to OTARMA	
2012	2011
\$7,375	\$7,561

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

8. JOINT VENTURE

The Township is a member of the McDonald-Roundhead Joint Recreational District (JRD) which was established during 2011. The JRD is operated by a five member Board consisting of representatives from both McDonald Township and Roundhead Township. The Trustees of each township select the JRD Board, whose members have staggered terms to allow the JRD Board to consist of three members representing McDonald Township in one year, and three members representing Roundhead Township the following year. During the initial year, the McDonald Township trustees appointed three members (one 3 year term, one 2 year term, and one 1 year term) and two trustees (one 3 year term and one 2 year term) were appointed by the Roundhead Township trustees. The two townships budget and fund the McDonald-Roundhead JRD in shares proportionate to the tax valuation of each Township, in such amounts upon which the Township trustees mutually agree. Financial information can be obtained from Helen Lautenschlager, Fiscal Officer, 15494 State Route 235, Belle Center, Ohio 43310.

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

9. JOINTLY GOVERNED ORGANIZATIONS

The Upper Scioto Valley Ambulance District – is a jointly governed entity governed by a five-member Board of Trustees. Each political subdivision within the District appoints one member. Those subdivisions are Marion Township, McDonald Township, Roundhead Township, the Village of Alger, and the Village of McGuffey, in Hardin County. The District provides ambulance services within the Township. Financial information can be obtained from Brenda Roy, Clerk, P.O. Box 105 McGuffey, Ohio 45859.

The Hardin County Regional Planning Commission – (the Commission) is a jointly governed entity between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty-seven members, any of which may hold any other public office. The Township is represented by one member.

The Commission makes studies, maps, plans, recommendations, and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita according to the latest federal census in any calendar year in which the revenue is needed. Financial information can be obtained from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.



Dave Yost • Auditor of State

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

Roundhead Township
Hardin County
P.O. Box 133
Roundhead, Ohio 43346

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Roundhead Township, Hardin 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 June 6, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted that in 2011 the Township adopted Governmental Standards Board Statement No. 54.

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. We consider findings 2012-01 through 2012-03 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 2012-02 through 2012-04.

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

June 6, 2013

**ROUNDHEAD TOWNSHIP
HARDIN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Material Weakness

Accuracy of Financial Reporting

Procedures and controls should be in place to prevent and detect errors in the accounting records, financial statements, and notes to the financial statements to help assure that the users have accurate and complete information.

The 2012 accounting records and financial statements had the following recording errors:

- The sale of a truck in the amount of \$13,300 was recorded in the Special Revenue Gasoline Tax Fund as miscellaneous receipts instead of sale of capital assets;
- Grant receipts in the amount of \$11,589 recorded in the Special Revenue Fire Fund were recorded as miscellaneous receipts instead of intergovernmental;
- The ending balances of three Special Revenue Funds, without supporting trust agreements, in the amount of \$2,522 were classified as non-spendable instead of restricted; and
- Interest receipts in the General Fund were overstated by \$120.

The 2011 accounting records and financial statements had the following recording errors:

- A \$6,250 payment from the General Fund to the Roundhead-McDonald Park District (a joint venture) was recorded as capital outlay instead of intergovernmental;
- General Fund interest receipts in the amount of \$889, Special Revenue Gasoline Tax Fund interest receipts in the amount of \$816, and Motor Vehicle License Tax Fund interest receipts in the amount of \$88, were not recorded;
- Three funds, with total receipts of \$5, total disbursements of \$14, total beginning fund balances of \$2,557, and total ending fund balances of \$2,548, were classified as permanent funds; however, the Township did not have trust agreements that specified that the principal was to be maintained. As a result, these funds were reclassified as special revenue funds.
- Debt payments in the amount of \$24,492 in the Special Revenue Fire District Fund were classified as capital outlay instead of principal retirement of \$22,339 and interest and fiscal charges of \$2,153;
- Loan proceeds in the amount of \$15,000 in the Special Revenue Fire District Fund were classified as other financing sources instead of other debt proceeds; and
- Special Revenue Fund type ending fund balances of \$139,997 were classified as unassigned instead of restricted.

In addition, the 2012 and 2011 notes to the financial statements included information that was not relevant to the Township or that did not agree to supporting documentation and the financial statements.

The accompanying financial statements and notes to the financial statements, and if applicable the accounting records, have been adjusted to correct the errors identified above.

**FINDING NUMBER 2012-01
(Continued)**

Errors in the financial statements, notes to the financial statements, and supporting ledgers inhibit the ability of both the Township Fiscal Officer and the Trustees to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could result in noncompliance with laws and regulations applicable to the Township. In addition, financial information with errors reduces the likelihood that irregularities will be detected in a timely manner.

The Township Fiscal Officer should review the Ohio Township Handbook, Auditor of State Bulletins, and other resources for guidance in correctly classifying receipts, disbursements, fund balances, and funds; and the preparation of notes to the financial statements. Periodically, the Trustees should perform a review of the accounting ledgers to help identify errors and/or irregularities. Prior to submission to the Auditor of State, the annual financial statements and notes should be reviewed for accuracy.

FINDING NUMBER 2012-02

Material Weakness / Noncompliance Citation

Ohio Rev. Code Sections 135.21 and 5705.10 require interest earned to be credited to the general fund unless otherwise expressly required by law. Ohio Constitution, Art. XII, Section 5a, and OAG Opinion No. 82-031, require interest earned on the proceeds of a motor vehicle license tax or fuel tax to be paid into the fund to which the principal belongs.

In 2012 the Township did not allocate interest to the Motor Vehicle License Tax fund in the amount of \$135 or the Gasoline Tax fund in the amount of \$681. The accompanying financial statements and accounting records have been adjusted to correct this error.

An interest allocation policy should be developed and utilized to provide that interest is recorded in the required funds. The Township Board of Trustees should periodically review the accounting records to help assure that interest revenue is being recorded in all required funds.

FINDING NUMBER 2012-03

Material Weakness / Noncompliance Citation

Ohio Rev. Code Section 5705.09(F) requires that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

In 2012, the Township failed to establish the required capital projects fund in its accounting records and financial statements to account for the memo entries for the receipt and disbursement of Issue II money in the amount of \$13,791. The accompanying financial statements have been adjusted to reflect receipt and disbursement of this money.

In addition, during 2012, the Township failed to establish the required special revenue funds in its accounting records and financial statements to account for two federal fire grants in the total amount of \$11,589 in receipts and disbursement. These grants were instead recorded within the Special Revenue Fire District Fund.

The failure to record the Issue II activity prevents the users of the financial statements from seeing the financial benefit received by the Township. The failure to establish required federal grant funds weakens accountability, makes it more difficult to show compliance with the grant agreement, and could jeopardize future grant funding.

**FINDING NUMBER 2012-03
(Continued)**

The Township should review Auditor of State Bulletin 2002-004 for guidance in the recording of Issue II money, and grant agreements and Ohio Revised Code Section 5705.09 for guidance on accounting for restricted grants. Procedures should then be implemented by the Township to provide for the recording of this activity in the accounting records and financial statements.

FINDING NUMBER 2012-04

Noncompliance Citation

Ohio Rev. Code Section 505.601 provides 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 26, 2011 and December 27, 2010, the Trustees approved offering 80/20 hospitalization with a \$2,500 deductible for elected officials which appears to follow Ohio Rev. Code Section 505.60. During 2012 and 2011 a Township Trustee obtained insurance and the Township reimbursed the Township Trustee. By reimbursing a trustee, the Township gives the impression it is reimbursing health insurance under Ohio Rev. Code Section 505.601 which appears to contradict the policy approved on December 26, 2011 and December 27, 2010.

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.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**ROUNDHEAD TOWNSHIP
HARDIN 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>
2010-01	Accuracy of Financial Reporting and Bank-to-Book Reconciliations	No	Partially corrected. Repeated as Finding 2012-01
2010-02	Overpayment of Fiscal Officer wages	Yes	
2010-03	Ohio Rev. Code Section 5705.09(F)	No	Repeated as Finding 2012-03
2010-04	Ohio Rev. Code Section 5705.10(D)	Yes	
2010-05	26 CFR 31.3101-2(c) and 26 CFR 31.3111-2(c) – overpayment of Federal and Medicare taxes	No	Repeated in management letter



Dave Yost • Auditor of State

ROUNDHEAD TOWNSHIP

HARDIN 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
JULY 9, 2013**