



Dave Yost • Auditor of State

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Richland Township
Defiance County
P.O. Box 30144
Jewell, Ohio 43530-0144

To the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 20, 2014

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|--|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$14,961 | \$235,150 | | \$250,111 |
| Charges for Services | 116,213 | | | 116,213 |
| Licenses, Permits and Fees | 1,630 | | | 1,630 |
| Intergovernmental | 86,357 | 191,499 | \$1,884 | 279,740 |
| Earnings on Investments | 310 | 233 | | 543 |
| Miscellaneous | 11,752 | 2,475 | | 14,227 |
| <i>Total Cash Receipts</i> | <u>231,223</u> | <u>429,357</u> | <u>1,884</u> | <u>662,464</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 69,411 | | | 69,411 |
| Public Safety | 131,205 | 100,588 | | 231,793 |
| Public Works | 17,081 | 294,719 | | 311,800 |
| Health | 582 | | | 582 |
| Human Services | | 2,349 | | 2,349 |
| Capital Outlay | 8,800 | 58,542 | 1,884 | 69,226 |
| <i>Total Cash Disbursements</i> | <u>227,079</u> | <u>456,198</u> | <u>\$1,884</u> | <u>685,161</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>4,144</u> | <u>(26,841)</u> | | <u>(22,697)</u> |
| Other Financing Receipts | | | | |
| Sale of Fixed Assets | 8,800 | | | |
| Other Financing Sources | 5,579 | | | |
| <i>Total Other Financing Receipts</i> | <u>14,379</u> | | | |
| <i>Net Change in Fund Cash Balances</i> | 18,523 | (26,841) | | (8,318) |
| <i>Fund Cash Balances, January 1</i> | <u>355,117</u> | <u>417,189</u> | | <u>772,306</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 390,348 | | 390,348 |
| Unassigned | 373,640 | | | 373,640 |
| <i>Fund Cash Balances, December 31</i> | <u>\$373,640</u> | <u>\$390,348</u> | | <u>\$763,988</u> |

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

| | General | Special Revenue | Capital Projects | Totals (Memorandum Only) |
|--|------------------|--------------------|---------------------|--------------------------------|
| Cash Receipts | | | | |
| Property and Other Local Taxes | \$12,841 | \$230,548 | | \$243,389 |
| Charges for Services | 127,404 | | | 127,404 |
| Licenses, Permits and Fees | 2,717 | | | 2,717 |
| Intergovernmental | 160,393 | 195,604 | \$37,569 | 393,566 |
| Earnings on Investments | 503 | 46 | | 549 |
| Miscellaneous | 9,499 | 813 | | 10,312 |
| <i>Total Cash Receipts</i> | <u>313,357</u> | <u>427,011</u> | <u>37,569</u> | <u>777,937</u> |
| Cash Disbursements | | | | |
| Current: | | | | |
| General Government | 80,894 | | | 80,894 |
| Public Safety | 105,775 | 121,353 | | 227,128 |
| Public Works | 3,249 | 268,187 | | 271,436 |
| Health | 222 | | | 222 |
| Human Services | | 3,019 | | 3,019 |
| Capital Outlay | | 20,271 | 37,569 | 57,840 |
| <i>Total Cash Disbursements</i> | <u>190,140</u> | <u>412,830</u> | <u>\$37,569</u> | <u>640,539</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>123,217</u> | <u>14,181</u> | | <u>137,398</u> |
| Other Financing Disbursements | | | | |
| Other Financing Uses | (74) | | | (74) |
| <i>Net Change in Fund Cash Balances</i> | 123,143 | 14,181 | | 137,324 |
| <i>Fund Cash Balances, January 1</i> | <u>231,974</u> | <u>403,008</u> | | <u>634,982</u> |
| Fund Cash Balances, December 31 | | | | |
| Restricted | | 417,189 | | 417,189 |
| Unassigned | 355,117 | | | 355,117 |
| <i>Fund Cash Balances, December 31</i> | <u>\$355,117</u> | <u>\$417,189</u> | | <u>\$772,306</u> |

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Richland Township, Defiance County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), which is considered a public entity risk pool. Note 6 to 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 repurchase agreements 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.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

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:

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.

3. Capital Project Fund

This fund accounts for and report financial resources that are restricted to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Issue II Fund - The Township received a grant from the State of Ohio to resurface 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, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
DEFIANCE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

| | 2013 | 2012 |
|--------------------------------|-----------|-----------|
| Demand Deposits | \$40,340 | \$40,441 |
| Repurchase Agreement | 723,648 | 731,865 |
| Total Deposits and Investments | \$763,988 | \$772,306 |

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

Investments: The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

3. BUDGETARY ACTIVITY

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

| 2013 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$219,250 | \$245,602 | \$26,352 |
| Special Revenue | 325,325 | 429,357 | 104,032 |
| Capital Projects | 1,884 | 1,884 | |
| Total | \$546,459 | \$676,843 | \$130,384 |

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

| 2013 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$672,458 | \$227,079 | \$445,379 |
| Special Revenue | 646,715 | 456,198 | 190,517 |
| Capital Projects | 1,884 | 1,884 | |
| Total | <u>\$1,321,057</u> | <u>\$685,161</u> | <u>\$635,896</u> |

| 2012 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$224,387 | \$313,357 | \$88,970 |
| Special Revenue | 349,725 | 427,011 | 77,286 |
| Capital Projects | 37,569 | 37,569 | |
| Total | <u>\$611,681</u> | <u>\$777,937</u> | <u>\$166,256</u> |

| 2012 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$456,360 | \$190,214 | \$266,146 |
| Special Revenue | 752,730 | 412,830 | 339,900 |
| Capital Projects | 37,569 | 37,569 | |
| Total | <u>\$1,246,659</u> | <u>\$640,613</u> | <u>\$606,046</u> |

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.

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

5. RETIREMENT SYSTEM

The Township's elected 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 the plan's benefits, which include postretirement healthcare and survivor and disability benefits.

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

6. RISK MANAGEMENT

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

6. RISK MANAGEMENT (Continued)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2012 and 2013

| | <u>2012</u> | <u>2013</u> |
|--------------------|--------------------|--------------------|
| Assets | \$13,100,381 | \$13,774,304 |
| Liabilities | <u>(6,687,193)</u> | <u>(7,968,395)</u> |
| Members' Equity | <u>\$6,413,188</u> | <u>\$5,805,909</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

7. COMPLIANCE

Contrary to Ohio law, the Township did not post revenues to the required funds in 2013 or 2012.

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

Richland Township
Defiance County
P.O. Box 30144
Jewell, Ohio 43530-0144

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 Richland Township, Defiance County, Ohio (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements and have issued our report thereon dated October 20, 2014, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 through 2013-004 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

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

October 20, 2014

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

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

FINDING NUMBER 2013-001

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.10 provides all money paid into any fund shall be used only for the purpose for which such fund is established. Furthermore, this code section requires all revenue derived from a source other than general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

- In 2013, tax revenue was incorrectly posted to the Fire and Rescue, Ambulance, and Emergency Management Services (EMS) Fund in the amount of \$20,582, when it should have been posted to the Fire District Fund.
- In 2013, homestead and rollback was misposted and resulted in the fund balances being overstated by \$12,724 in the Road and Bridge Fund and understated by \$1,196 in the General Fund, \$3,333 in the Fire District Fund, and \$8,195 in the EMS Fund
- In 2013 and 2012, \$1,261 and \$1,209, respectively, of permissive sales tax was incorrectly posted to the Road and Bridge Fund when it should have been posted to the Permissive Motor Vehicle License Tax Fund.
- In 2012, \$3,500 in grant revenue was misposted to the General Fund when it should have been posted as intergovernmental revenue in the EMS Fund.
- In 2012, \$52,431, \$34,994, and \$4,587 in personal property tax and homestead and rollback revenues were misposted to the General Fund when they should have been posted to the Road and Bridge Fund, Fire District Fund, and EMS Fund, respectively.
- In 2012, homestead and rollback revenues of \$4,638 and \$1,883 were misposted to the Road and Bridge Fund when they should have been posted to the Fire District Fund and Fire and EMS Fund, respectively.

The financial statements and the Village's accounting records were adjusted to correct these posting errors.

Improper reporting of revenue could cause management to draw incorrect conclusions regarding its fiscal position. Financial activity should be properly reported in the accounting ledgers so the Board can better assess whether financial goals are being met on an ongoing basis. As part of the monitoring process, Board should review financial records to make sure amounts are properly reflected in the appropriate funds and there are sufficient funds to pay fund obligations.

FINDING NUMBER 2013-002

Material Weakness

Financial Reporting

Inaccurate posting of transactions impedes the ability of the Trustees to accurately assess the financial status of the Township. We noted examples such as the following during our audit:

- \$25,263 of estate tax was posted to taxes instead of intergovernmental in the General Fund in 2013.
- In 2013, \$41,056 and \$25,137 of reimbursements for personal property tax were misposted as taxes when they should have been posted as intergovernmental revenue in the Road and Bridge Fund and the Fire District Funds, respectively.
- The General Fund balance in 2012 of \$355,117 was posted as nonspendable instead of unassigned.

As a result, the Township's financial statements did not correctly reflect the financial activity of the Township. The accompanying financial statements and the Village's accounting records have been adjusted to correct these and other errors ranging from \$295 to \$355,117.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual. Further, the Township should adopt policies and procedures including a fiscal review of the financial statements by the Fiscal Officer and the Trustees to ensure errors are corrected.

FINDING NUMBER 2013-003

Material Weakness

Recording and Budgeting Ohio Public Works Grants

Sound accounting practices require money spent on behalf of the Township by other governments be posted to the Township's ledgers. Furthermore, Ohio Rev. Code § 5705.42 deems the funds appropriated, eliminating the need for the Township to approve a formal appropriation for these monies, however, this section does require the Township to record the appropriation.

In 2013 and 2012, the Township was the beneficiary of \$1,884 and \$37,569, respectively, of Ohio Public Works Commission (OPWC) money paid directly to the vendor by OPWC on behalf of the Township. The Fiscal Officer did not record this activity and the corresponding appropriations. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The financial statements were adjusted to reflect these amounts.

We recommend the Township record all benefits received from OPWC as a memo receipt and expenditure on the Township's records, request an amended certificate of estimated resources for these funds, and the Board approve a corresponding appropriation for the expenditure. In addition, the Fiscal Officer should review Auditor of State Bulletin 2000-08.

FINDING NUMBER 2013-004

Material Weakness

Reconciliation of Records

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Fiscal Officer.

We noted the following discrepancies in the Township's accounting system:

- Local government monies in the amount of \$3,742 were posted twice in September 2012.
- Gas tax monies in the amount of \$2,571 were posted twice in May 2013.
- A fire grant received from the state for \$1,450 was deposited into the Village's bank account in May 2012 and not recorded on the books.
- Medicount emergency management service revenue of \$1,052 was deposited into the Village's bank account and not recorded on the books in January 2013.
- The Fiscal Officer posted an unsubstantiated disbursement of \$2,435 to the books in July 2013 in an attempt to reconcile the bank balance to the bank balance.

After correcting these errors on the financial statements, the balances and activity per the Uniform Account System was \$1,374 less than the reconciled total of the bank balance.

The failure to reconcile the discrepancies resulted in a misstatement of available cash balances and increases the possibility of funds being diverted for personal use and not being detected.

We recommend the cause of the difference be determined and corrected. In addition, the bank account balances should be reconciled monthly to the combined fund balances with support to adequately justify any variances which occur.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2011-001 | Ohio Rev. Code §§ 5705.38, 5705.40, and 5705.41(B) for failing to approve an appropriation measure for expenditures made. | Yes | |
| 2011-002 | Material weakness due to lack of monitoring of financial statements. | No | Not corrected and reissued as Finding 2013-002 in this report. |



Dave Yost • Auditor of State

RICHLAND TOWNSHIP

DEFIANCE 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 6, 2014**