

**RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO**

**FINANCIAL STATEMENTS
(AUDIT)**

DECEMBER 31, 2014 and 2013



Dave Yost • Auditor of State

Board of Trustees
Richland Township
18170 County Road 53
Forest, Ohio 45843

We have reviewed the *Independent Auditors' Report* of Richland Township, Wyandot County, prepared by Maloney + Novotny LLC, for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 4, 2015

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RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

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Independent Auditors' Report

Richland Township
Wyandot County
18170 County Road 53
Forest, OH 45843

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Richland Township, Wyandot County, Ohio (the Township) as of and for the years ended December 31, 2014 and 2013.

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 (OAC) 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.

Auditors' 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 of 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 ORC Section 117.38 and OAC 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.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, or changes in its 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, Wyandot County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions ORC Section 117.38 and OAC Section 117-2-03(D) permits, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2015, 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 in the Township's internal control over financial reporting and compliance.

Delaware, Ohio
June 1, 2015



RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) – ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2014

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS				
Property and local taxes	\$ 30,616	\$ 14,517	\$ -	\$ 45,133
Charges for services	-	10,250	-	10,250
Intergovernmental	14,436	90,992	14,404	119,832
Earnings on investments	6	18	-	24
Miscellaneous	<u>1,314</u>	<u>600</u>	<u>-</u>	<u>1,914</u>
Total cash receipts	<u>46,372</u>	<u>116,377</u>	<u>14,404</u>	<u>177,153</u>
CASH DISBURSEMENTS				
Current:				
General government	35,833	-	-	35,833
Public safety	-	15,682	-	15,682
Public works	-	117,815	14,404	132,219
Capital outlay	<u>3,626</u>	<u>-</u>	<u>-</u>	<u>3,626</u>
Total cash disbursements	<u>39,459</u>	<u>133,497</u>	<u>14,404</u>	<u>187,360</u>
Excess of receipts over (under) disbursements	6,913	(17,120)	-	(10,207)
FUND CASH BALANCES, BEGINNING OF YEAR				
	<u>18,065</u>	<u>203,199</u>	<u>-</u>	<u>221,264</u>
FUND CASH BALANCES				
Restricted	-	186,079	-	186,079
Unassigned	<u>24,978</u>	<u>-</u>	<u>-</u>	<u>24,978</u>
FUND CASH BALANCES, END OF YEAR	\$ <u>24,978</u>	\$ <u>186,079</u>	\$ <u>-</u>	\$ <u>211,057</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
BALANCES (CASH BASIS) – ALL GOVERNMENTAL FUND TYPES

Year Ended December 31, 2013

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS			
Property and local taxes	\$ 27,453	\$ 11,564	\$ 39,017
Charges for services	-	10,250	10,250
Intergovernmental	14,128	105,372	119,500
Earnings on investments	7	16	23
Miscellaneous	<u>1,120</u>	<u>1,034</u>	<u>2,154</u>
Total cash receipts	<u>42,708</u>	<u>128,236</u>	<u>170,944</u>
CASH DISBURSEMENTS			
Current:			
General government	49,471	-	49,471
Public safety	-	14,355	14,355
Public works	-	44,968	44,968
Health	3,894	-	3,894
Capital outlay	<u>9,358</u>	<u>78,156</u>	<u>87,514</u>
Total cash disbursements	<u>62,723</u>	<u>137,479</u>	<u>200,202</u>
Excess of receipts over (under) disbursements	(20,015)	(9,243)	(29,258)
FUND CASH BALANCES, BEGINNING OF YEAR	<u>38,080</u>	<u>212,442</u>	<u>250,522</u>
FUND CASH BALANCES			
Restricted	-	203,199	203,199
Unassigned	<u>18,065</u>	<u>-</u>	<u>18,065</u>
FUND CASH BALANCES, END OF YEAR	\$ <u>18,065</u>	\$ <u>203,199</u>	\$ <u>221,264</u>

The accompanying notes are an integral part of these financial statements.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

- A. Description of the Entity – Richland Township, Wyandot County, Ohio (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance and cemetery operations. The Township also contracts to provide fire protection services to Salem Township and the Village of Kirby.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

OTARMA which is a public entity risk pool that provides property and casualty coverage for its members. OTARMA is a member of the American Public Excess Pool (APEEP).

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

- C. Cash – Cash included an interest bearing demand deposit account.
- 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:

General Fund

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

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Motor Vehicle License Tax Fund – This fund receives vehicle registration tax money.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds, continued

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

Road and Bridge Fund – This fund receives property tax and other revenues collected to construct, maintain and repair Township roads and bridges.

Fire District Fund – This fund receives tax money to pay for fire protection services.

Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditures 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 federal and state money for improvement of Township Highway 42.

E. Budgetary Process – The Ohio Revised Code (ORC) requires each fund to be budgeted annually.

Appropriations – Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

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

Encumbrances – The ORC requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year.

A summary of 2014 and 2013 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.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Significant Accounting Policies (Continued)

F. Fund Balance (Continued) –

Non-spendable – The Township classifies assets as non-spendable when legally or contractually required to maintain the amounts intact.

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.

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.

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.

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.

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.

Note 2. Equity in Pooled Cash

The Township maintains a cash pool used by all funds. The ORC prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Demand deposits	\$ <u>211,057</u>	\$ <u>221,264</u>
Total deposits	\$ <u>211,057</u>	\$ <u>221,264</u>

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

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 3. Budgetary Activity

Budgetary activity for the years ended December 31, 2014 and 2013 follows:

<u>Fund Type</u>	<u>2014 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 45,252	\$ 46,372	\$ 1,120
Special Revenue	120,332	116,377	(3,955)
Capital Projects	<u>-</u>	<u>14,404</u>	<u>14,404</u>
Total	\$ <u>165,584</u>	\$ <u>177,153</u>	\$ <u>11,569</u>

<u>Fund Type</u>	<u>2014 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 79,392	\$ 39,459	\$ 39,933
Special Revenue	307,456	133,497	173,959
Capital Projects	<u>-</u>	<u>14,404</u>	<u>(14,404)</u>
Total	\$ <u>386,848</u>	\$ <u>187,360</u>	\$ <u>199,488</u>

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 47,985	\$ 42,708	\$ (5,277)
Special Revenue	<u>119,038</u>	<u>128,236</u>	<u>9,198</u>
Total	\$ <u>167,023</u>	\$ <u>170,944</u>	\$ <u>3,921</u>

<u>Fund Type</u>	<u>2013 Budgeted vs. Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 102,140	\$ 62,723	\$ 39,417
Special Revenue	<u>315,404</u>	<u>137,479</u>	<u>177,925</u>
Total	\$ <u>417,544</u>	\$ <u>200,202</u>	\$ <u>217,342</u>

Note 4. Property Tax

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

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

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 5. Retirement Systems

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

The ORC also prescribes contribution rates. For 2014 and 2013, OPERS members contributed \$2,312 and \$2,033, respectively, 10% of their gross salaries and the Township contributed \$3,236 and \$4,246, respectively, 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2014.

Note 6. Risk Management

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

The Township insures against injuries to employees through Ohio Bureau of Workers' 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. York Risk Pooling Services, Inc. (formerly 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage – The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2014, 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, 2014 and 2013 (the latest information available):

	<u>2014</u>	<u>2013</u>
Assets	\$ 35,970,263	\$ 34,954,286
Liabilities	<u>8,912,432</u>	<u>8,486,363</u>
Net position	<u>\$ 27,057,831</u>	<u>\$ 26,467,923</u>

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 6. Risk Management (Continued)

At December 31, 2014 and 2013, respectively, the liabilities above include approximately \$8.2 million and \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million and \$7.4 million of unpaid claims to be billed to approximately 957 member governments in the future, as of December 31, 2014 and 2013, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2014, the Township's share of 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

<u>2014</u>	<u>2013</u>
\$ 8,738	\$ 8,614

After completing one year of membership, members 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.

Note 7. Commitments

The Township is obligated to provide fire protection services to Salem Township, Wyandot County, Ohio through March 31, 2017 pursuant to a contract adopted in April 2014. The Township is also obligated to provide fire protection services to the Village of Kirby, Wyandot County, Ohio through March 31, 2017 pursuant to a contract adopted in April 2014.

Note 8. Subsequent Events

Subsequent events have been evaluated through June 1, 2015, which is the date the financial statements were available to be issued.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 9. Compliance

Contrary to Ohio law:

- Material adjustments and reclassifications to the financial statements were necessary in order for them to be fairly stated.
- In 2014 and 2013, the appropriations exceeded estimated resources by \$16,075 and \$16,075, respectively in the General Fund.
- The Township did not encumber funds prior to expenditure.
- In 2014, the Township was the beneficiary of \$14,404 of Issue II money through the Wyandot County Auditor which was not recorded on the Township ledgers.
- In 2014, appropriations exceeded available resources by \$14,955 in the General Fund, \$331 in the Motor Vehicle License Tax Fund and by \$35 in the Road and Bridge Fund. In 2013, appropriations exceed available resourced by \$21,352 in the General Fund and by \$677 in the Fire Fund.
- In 2014 and 2013, the Township did not obtain an amended Certificate of Estimated Resources to identify a shortfall of anticipated revenue to the 2013 Fire Fund of \$677 which reduced available revenue in the funds below appropriated amounts.
- Minimum requirements for the Fiscal Officer bond were not met.
- Certificate of Estimated Resources was prepared with inaccurate beginning balances.

Donald J. Wolf, CPA
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

Richland Township
Wyandot County, Ohio

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, Wyandot County (the Township) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated June 1, 2015, 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 opinions 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 internal control deficiencies 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 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 Number 2014-01 to 2014-03 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 that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as Findings Number 2014-03 to 2014-07.

Entity's Response to Findings

We did not receive a response from Officials to these findings.

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.

Meloney + Novotny LLC

Delaware, Ohio
June 1, 2015

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2014 and 2013

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

Finding Number 2014-01
Material Weakness

The Ohio Township Handbook Chart of Accounts appendix details the revenue and expenditure codes, name of source information, and a brief description of the type of revenue or expenditure that relates to the codes.

The Township's financial statements required reclassification to correct misstatements:

- In 2014 and 2013, rollback and TPP revenue of \$7,039 and \$6,086, respectively, were reclassified from Local Taxes to Intergovernmental Revenue.
- In 2014, \$117,815 of Special Revenue distributions were reclassified from Public Safety to Public Works.
- In 2014, \$3,626 of General Fund distributions were reclassified from General Government to Health.
- In 2013, in various funds, fire and EMS contract expenditures were coded to General Government instead of Public Safety. Reclassifications totaled \$14,355.
- In 2013 \$17,712 of Special Revenue distributions were reclassified from General Government to Public Works.
- In 2013, \$92,888 of Special Revenue receipts were reclassified from License, Permits and Fees to Intergovernmental.

These adjustments were reclassifications between line items within the same fund or reclassifications between funds, and are reflected in the audited financial statements. Although the misclassifications have been corrected under audit, annual financial statements available to the public until such time as the audit was completed were inaccurate.

Response by Township

No written response received.

RICHLAND TOWNSHIP
 WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2014 and 2013

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

Finding Number 2014-02
 Material Weakness

Ohio Revised Code (ORC) Section 5705.36 requires that on or about the first day of each fiscal year, the fiscal officer should certify to the county auditor the total amount from all sources available for expenditure from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Certificates of Estimated Resources that the Township prepared for 2014 and 2013 were based on inaccurate beginning cash balances. Fund balances did not agree to audited fund balances by fund as of December 31, 2012. The tables below reflect the actual audited cash balances by fund versus available cash balances by fund reported in the Certificate of Estimated Resources. The 2014 beginning audited balances also include adjustments made to 2013 transactions during the current audit.

<u>2013</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$ 38,080	54,155	(16,075)
Fire District Fund	15,447	15,447	-
Road and Bridge Fund	15,685	15,685	-
Motor Vehicle License Tax Fund	33,279	33,279	-
Gasoline Tax Fund	148,030	131,955	16,075

<u>2014</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$ 18,065	34,140	(16,075)
Fire District Fund	19,752	19,752	-
Road and Bridge Fund	15,586	15,586	-
Motor Vehicle License Tax Fund	37,633	37,633	-
Gasoline Tax Fund	130,228	114,153	16,075

The Wyandot County Auditor requires timely filing of budgetary documents or Local Government funds may be withheld. In addition, the properly completed Certificate of Estimated Resources serves as the basis for the appropriation resolution.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2014 and 2013

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

Finding Number 2014-02, continued
Material Weakness

As a result of inaccurate fund balances the Township could unknowingly spend funds into a deficit balance. Such a situation would be especially detrimental to the Township if the General Fund were to be spent into a deficit balance since it is the only fund from which any lawful Township expenditure may be made without restriction.

Response by Township

No written response received.

Finding Number 2014-03
Material Weakness/Noncompliance

ORC Section 5705 sets forth a method that provides for a uniform budget and appropriation process in order to assure that the government entity expends no more than it expects to receive in revenue. In order to accomplish this, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. Thus, a procedure is still required to account for resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. In 2014, the Township was the beneficiary of \$14,404 of Issue II money through the Wyandot County Auditor. This activity was not recorded on the ledgers of the Township. Since the County paid the invoices, the Township did not receive this cash.

Auditor of State Bulletin 2000-008 and 2002-004 prescribes recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The accompanying financial statements were adjusted to reflect these amounts in a Capital Project Fund. These funds were not appropriated causing expenditures to exceed appropriations in the Capital Project Fund by \$14,404 in 2014 contrary to ORC 5705.41(B) which requires all expenditures to be appropriated.

Response by Township

No written response received.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2014 and 2013

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

Finding Number 2014-04
Noncompliance

ORC Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury when such contract or order is made.

ORC Section 5705.41 also provides that if no certificate was furnished at the time that the contract was entered into, the fiscal officer may prepare a Then and Now Certificate stating (1) that there was at the time of the making of the contract and (2) at the time of the execution of this certificate a sufficient sum appropriated for the purpose of the contract in question in the treasury or in process of collection to the credit of the appropriate fund, free from previous encumbrances. Funds were not encumbered prior to expenditure for thirty-one of the thirty-three disbursements tested and Then and Now Certificates were prepared but there were no dates recorded on the Certificates.

Response by Township

No written response received.

Finding Number 2014-05
Noncompliance

ORC Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

In 2014 and 2013, the appropriations exceeded estimated resources by \$16,075 each year in the General Fund. Failure to limit appropriations to the amount of available revenue could result in overspending and negative cash fund balances.

Response by Township

No written response received.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

SCHEDULE OF FINDINGS

December 31, 2014 and 2013

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

Finding Number 2014-06
Noncompliance

ORC Section 5075.36 states:

- (1) That an increased amended certificate must be obtained from the Budget Commission if the legislative authority intends to appropriate and expend revenue in excess of the estimated resources.
- (2) A reduced amended certificate must be obtained if the amount of the deficiency will reduce the available resources below the current level of appropriations.

In 2014, appropriations exceeded available resources in the General Fund by \$14,955, in the Motor Vehicle License Tax Fund by \$331 and the Road and Bridge Fund by \$35. In 2013, appropriations exceeded available resources in the General Fund by \$21,352 and in the Fire Fund by \$678. These deficits were caused by actual receipts falling below budgeted receipts and inaccurate beginning cash balances. We recognize that the Township did not spend all appropriations and actual expenses did not exceed available resources, but ORC Section 5705.36 still requires an amended Certificate of Estimated Resources to reflect the reduced receipts. Additionally, the Township should have reduced the appropriations below the estimated resources.

Response by Township

No written response received.

Finding Number 2014-07
Noncompliance

ORC Section 507.03 sets forth the minimum requirements for the fiscal officer bond. The Township's fiscal officer bond does not meet the minimum requirement of \$85,000 based on the Township budget.

Response by Township

No written response received.

RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2014 and 2013

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: Explain:</u>
2012-01	Significant adjustments were necessary for financial statements to be fairly stated	No	Repeated as Finding Number 2014-01.
2012-02	Certificate of estimated resources was prepared with inaccurate beginning balances	No	Repeated as Finding Number 2014-02.
2012-03	Transfer from fund derived from excise tax	Yes	Finding no longer valid.
2012-04	Funds were not always encumbered prior to expenditure	No	Repeated as Finding Number 2014-04.
2012-05	Appropriations exceeded estimated resources	No	Repeated as Finding Number 2014-05.
2012-06	Appropriations exceeded available resources	No	Repeated as Finding Number 2014-06.
2012-07	Minimum requirements for fiscal officer bond	No	Repeated as Finding Number 2014-07.



Dave Yost • Auditor of State

RICHLAND TOWNSHIP

WYANDOT 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
AUGUST 18, 2015**