

***RICHLAND TOWNSHIP***

**HOLMES COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2015 and 2014**







# Dave Yost • Auditor of State

Board of Trustees  
Richland Township  
2255 Township Road 33  
Killbuck, Ohio 44637

We have reviewed the *Independent Auditor's Report* of Richland Township, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2014 through December 31, 2015. 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

July 11, 2016

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**RICHLAND TOWNSHIP**  
**HOLMES COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2015 and 2014**

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**INDEPENDENT AUDITOR'S REPORT**

Richland Township  
Holmes County  
2255 Township Road 33  
Killbuck, Ohio 44637

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Richland Township, Holmes County, (the Township) as of and for the years ended December 31, 2015 and 2014.

***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(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 opinions.

***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 (GAAP), to satisfy these 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 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, 2015 and 2014, 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, Holmes County as of December 31, 2015 and 2014, 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 April 12, 2016, 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.



***Charles E. Harris & Associates, Inc.***  
April 12, 2016

**RICHLAND TOWNSHIP  
HOLMES COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 13,130	\$ 95,982	\$ 109,112
Intergovernmental	29,743	127,586	157,329
Charges for Services	-	20,228	20,228
Earnings on Investments	60	13	73
Miscellaneous	137	3,233	3,370
<i>Total Cash Receipts</i>	<u>43,070</u>	<u>247,042</u>	<u>290,112</u>
<b>Cash Disbursements</b>			
Current:			
General Government	28,416	296	28,712
Public Safety	-	46,826	46,826
Public Works	270	134,793	135,063
Health	4,516	-	4,516
Capital Outlay	-	11,145	11,145
Debt Service:			
Principal Retirement	6,348	35,676	42,024
Interest & Fiscal Charges	1,226	4,957	6,183
<i>Total Cash Disbursements</i>	<u>40,776</u>	<u>233,693</u>	<u>274,469</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,294	13,349	15,643
<i>Fund Cash Balances, January 1</i>	<u>40,133</u>	<u>83,354</u>	<u>123,487</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	96,703	96,703
Unassigned	42,427	-	42,427
<i>Fund Cash Balances, December 31</i>	<u>\$ 42,427</u>	<u>\$ 96,703</u>	<u>\$ 139,130</u>

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

**RICHLAND TOWNSHIP  
HOLMES COUNTY  
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$ 13,051	\$ 95,098	\$ 108,149
Intergovernmental	17,054	152,907	169,961
Charges for Services	-	20,550	20,550
Earnings on Investments	76	11	87
Miscellaneous	343	8,520	8,863
<i>Total Cash Receipts</i>	<u>30,524</u>	<u>277,086</u>	<u>307,610</u>
<b>Cash Disbursements</b>			
Current:			
General Government	27,950	2,401	30,351
Public Safety	-	55,277	55,277
Public Works	270	140,278	140,548
Health	4,384	-	4,384
Capital Outlay	93,315	14,579	107,894
Debt Service:			
Principal Retirement	-	45,791	45,791
Interest and Fiscal Charges	-	6,852	6,852
<i>Total Cash Disbursements</i>	<u>125,919</u>	<u>265,178</u>	<u>391,097</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(95,395)	11,908	(83,487)
<b>Other Financing Receipts (Disbursements)</b>			
Other Debt Proceeds	34,010	-	34,010
Sale of Capital Assets	11,600	-	11,600
<i>Total Other Financing Receipts (Disbursements)</i>	<u>45,610</u>	<u>-</u>	<u>45,610</u>
<i>Net Change in Fund Cash Balances</i>	(49,785)	11,908	(37,877)
<i>Fund Cash Balances, January 1</i>	<u>89,918</u>	<u>71,446</u>	<u>161,364</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	-	83,354	83,354
Assigned	39	-	39
Unassigned	40,094	-	40,094
<i>Fund Cash Balances, December 31</i>	<u>\$ 40,133</u>	<u>\$ 83,354</u>	<u>\$ 123,487</u>

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

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**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, Holmes County, (the Township) as a body corporate and politic. A publicly-elected three member Board of Trustees directs the Township. The Township provides general governmental services such as road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program. Note 6 to the financial statement provides additional information about 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). 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. 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.

**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 capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies (continued)**

**D. Fund Accounting (continued)**

**2. Special Revenue Funds**

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

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

Fire District Fund - This fund receives property tax money for the purchase of equipment for the fire department.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**1. 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.

**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 also 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 carried forward to the subsequent year.

A summary of 2015 and 2014 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. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**1. Summary of Significant Accounting Policies (continued)**

**F. Fund Balance (continued)**

**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 The Board of 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.

**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.

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**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:

	2015	2014
Demand deposits	\$139,130	\$123,487
Total deposits and investments	\$139,130	\$123,487

**Deposits:** 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, 2015 and 2014 follows:

2015 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$68,688	\$40,776	\$27,912
Special Revenue	299,051	233,693	65,358
Total	\$367,739	\$274,469	\$93,270

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$29,957	\$43,070	\$13,113
Special Revenue	226,572	247,042	20,470
Total	\$256,529	\$290,112	\$33,583

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$126,529	\$125,958	\$571
Special Revenue	303,738	265,383	38,355
Total	\$430,267	\$391,341	\$38,926

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,325	\$76,134	\$67,809
Special Revenue	247,882	277,086	29,204
Total	\$256,207	\$353,220	\$97,013

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**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.

Holmes 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, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Loan # 3347115	\$ 27,662	3.69%
Life-Packs Loan	2,057	4.50%
Tractor Lease	46,384	4.29%
Ambulance Lease	44,813	3.49%
Total	<u>\$ 120,916</u>	

In 2014, the Township entered into a loan with Republic First National Corporation to purchase a new truck. The loan will be repaid in five installment totaling \$7,574 including interest of 3.69%. The Truck is used to maintain Township roads and fix various issues around the Township. The loan is repaid out of the General Fund.

In 2011, the Township entered into a loan with Killbuck Saving Bank to finance the purchase of a Life pack, equipment used by the EMS department in their squad. The loan is to be repaid in quarterly installment totaling \$1,044 including interest of 4.5% over five year. The loan is repaid out of the Fire and Rescue, Ambulance and Emergency Medical Service fund, a Special revenue fund.

In 2012, the Township entered into a lease purchase agreement for a 2009 CAT Challenger MT Tractor. The tractor is used to mow and maintain the Township's roads. The lease will be repaid in seven installments totaling \$12,866 including interest of 4.29%. Repayment of this loan is from the Street Construction, Maintenance and Repair fund, a Special revenue fund.

In 2012 the Township entered into a lease purchase agreement with Republic First National Bank to purchase a 2012 McCoy Miller Ford F-450 Type I Ambulance. The ambulance is used for EMS transportation. The lease will be repaid in five installments totaling \$23,590 including interest of 3.49%. Repayment of this lease is from the Other Special Revenue, a Special revenue fund.

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**5. Debt (continued)**

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

Year ending December 31:	Truck Loan	Life-Packs Loan	Tractor Lease	Ambulance Lease
2016	\$ 7,574	\$ 2,092	\$ 12,866	\$ 23,590
2017	7,574		12,866	23,590
2018	7,574		12,866	
2019	7,574		12,866	
Total	<u>\$ 30,296</u>	<u>\$ 2,092</u>	<u>\$ 51,464</u>	<u>\$ 47,180</u>

**6. Retirement Systems**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is 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 2015 and 2014, 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, 2015.

**7. 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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.) (York) functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

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, 2015, 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.

**Richland Township  
Holmes County  
Notes to the Financial Statements  
December 31, 2015 and 2014**

**7. Risk Pool Membership – (Continued)**

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$8,000.

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

<u>Contributions to OTARMA</u>	
<u>2015</u>	<u>2014</u>
\$14,978	\$14,280

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. Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**9. Budgetary noncompliance**

Contrary to Ohio Revised Code section 5705.41(D), the Township had 20% of tested disbursements incurred prior to the encumbrance.

Rockefeller Building  
614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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  
Holmes County  
2255 Township Road 33  
Killbuck, Ohio 44637

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 the cash balances, receipts, and disbursements by fund type of Richland Township, Holmes County (the Township) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated April 12, 2016, 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.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2015-001 to be a material weakness.

***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 matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2015-002.

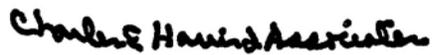
We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated April 12, 2016.

***Entity's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



***Charles E. Harris and Associates, Inc.***  
April 12, 2016

**RICHLAND TOWNSHIP  
HOLMES COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2015 and 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding Number 2015-001 - Material Weakness**

During 2015 and 2014, the Township recorded numerous transactions incorrectly. We noted the following adjustments:

- Homestead and Rollback receipts were recorded as Property and Other Local Taxes instead of Intergovernmental receipts:
- Receipts from ambulance runs were recorded as Intergovernmental instead of Charges for Services.
- Refunds were recorded as Intergovernmental receipts instead of miscellaneous receipts.
- A receipt from the sale of a capital asset was recorded as Intergovernmental instead of Sale of Capital Asset.
- Homestead and Rollback receipts were recorded as Miscellaneous instead of Intergovernmental receipts.
- Recorded bed tax receipts as Miscellaneous instead of Property and Other Local Taxes.
- Recorded the payment of insurance for highway maintenance employee as Human services instead of Public works.
- Recorded principal and interest payments on several loans as capital outlay instead of principal and interest.
- Failed to record the proceeds of a loan and the corresponding capital outlay

Adjustments were made in the financial statements and the Township's records to reflect the proper presentation.

The Ohio Township Handbook and the UAN manual provide suggested account classifications. These accounts classify receipts and disbursements by fund and function. Using these classifications and the aforementioned accounting records will provide the Township with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Township refer to the Ohio Township Handbook and UAN manual to properly classify its transactions.

**Management Response:**

Management will improve recording of transactions by using and following the Ohio Township Handbook and the UAN manual as guidance.

**Finding Number 2015-002 – Noncompliance**

**Ohio Rev. Code 5705.41(D) – Purchase Orders**

Ohio Rev. Code Section 5705.41 (D) (1) prohibits a subdivision or taxing entity from making a contract or ordering any expenditure of money unless a certificate signed by a fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

**RICHLAND TOWNSHIP  
HOLMES COUNTY  
SCHEDULE OF FINDINGS – (continued)  
December 31, 2015 and 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now Certificates" – If the fiscal officer can certify that both at the time that contract or order was made ("then") and at the time that the fiscal officer was completing the certification ("now"), that sufficient funds were available or in the process of collection, to credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

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

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

3. Super Blanket Certificates – The Township may also make expenditures and contracts for any amount for a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most profession services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During fiscal years 2015 and 2014, 20% of purchase orders tested were not certified by the Township Clerk prior to incurring the obligation. The transactions had no evidence of the above mentioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's expenditures exceeding budgetary spending limitations, we recommend that the Township certify expenditures prior to incurring the liability.

**Management Response:**

Management will ensure that certification of expenditures are done prior to incurring a liability going forward.



# Dave Yost • Auditor of State

**RICHLAND TOWNSHIP**

**HOLMES 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 21, 2016**