

**RICHLAND TOWNSHIP
WYANDOT COUNTY, OHIO**

FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

WOLF, ROGERS, DICKEY & CO.
Certified Public Accountants



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 Wolf, Rogers, Dickey & Co., for the audit period January 1, 2011 through December 31, 2012. 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

September 26, 2013

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**Richland Township
Wyandot County, Ohio**

**For the Years Ended
December 31, 2012 and 2011**

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Independent Auditors' Report

Richland Township
Wyandot County, Ohio

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, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence that 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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Richland Township, Wyandot County, Ohio as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions ORC Section 117.38 and OAC Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, 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.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

July 24, 2013

**Richland Township
Wyandot County, Ohio
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:			
Property and other local taxes	\$ 23,411	11,639	35,050
Charges for services	-	10,250	10,250
Intergovernmental	31,977	89,591	121,568
Earnings on investments	13	38	51
Miscellaneous	<u>790</u>	<u>-</u>	<u>790</u>
Total cash receipts	56,191	111,518	167,709
Cash disbursements:			
Current:			
General government	42,130	-	42,130
Public safety	-	25,041	25,041
Public works	-	60,016	60,016
Health	3,640	-	3,640
Capital outlay	<u>-</u>	<u>32,961</u>	<u>32,961</u>
Total cash disbursements	<u>45,770</u>	<u>118,018</u>	<u>163,788</u>
Total receipts over (under) disbursements	10,421	(6,500)	3,921
Fund cash balances, January 1	<u>27,659</u>	<u>218,942</u>	<u>246,601</u>
Fund cash balances, December 31			
Restricted	-	212,442	212,442
Unassigned	<u>38,080</u>	<u>-</u>	<u>38,080</u>
Fund cash balances, December 31	\$ <u>38,080</u>	<u>212,442</u>	<u>250,522</u>

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

Richland Township
Wyandot County, Ohio
Combined Statement of Receipts, Disbursements, and
Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2011

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Project</u>	<u>Totals (Memorandum Only)</u>
Cash receipts:				
Property and other local taxes	\$ 23,197	11,617	-	34,814
Charges for services	-	10,250	-	10,250
Intergovernmental	35,522	105,216	33,452	174,190
Earnings on investments	16	1,163	-	1,179
Miscellaneous	<u>747</u>	<u>500</u>	<u>-</u>	<u>1,247</u>
Total cash receipts	59,482	128,746	33,452	221,680
Cash disbursements:				
Current:				
General government	46,651	-	-	46,651
Public safety	-	12,817	-	12,817
Public works	-	75,946	33,452	109,398
Health	<u>3,359</u>	<u>-</u>	<u>-</u>	<u>3,359</u>
Total cash disbursements	<u>50,010</u>	<u>88,763</u>	<u>33,452</u>	<u>172,225</u>
Total receipts over disbursements	9,472	39,983	-	49,455
Fund cash balances, January 1	<u>18,187</u>	<u>178,959</u>	<u>-</u>	<u>197,146</u>
Fund cash balances, December 31				
Restricted	-	218,942	-	218,942
Unassigned	<u>27,659</u>	<u>-</u>	<u>-</u>	<u>27,659</u>
Fund cash balances, December 31	\$ <u>27,659</u>	<u>218,942</u>	<u>-</u>	<u>246,601</u>

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

**Richland Township
Wyandot County, Ohio
Notes to the Financial Statements
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies

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 fire protection services. The Township also has contracts to provide fire protection services to Salem Township and the Village of Kirby.

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

Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State of Ohio, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State of Ohio.

Cash

Cash included an interest bearing demand deposit account.

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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**Richland Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Fund Accounting, continued

Special Revenue Funds

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

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

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.

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

Capital Projects Fund

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except for those financed through enterprise or trust funds). The Township had the following Capital Project Fund:

Issue I Fund – The Township received a grant from the State of Ohio to repair Township roads.

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 fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure.

Estimated Resources

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

Richland Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011

(1) Summary of Significant Accounting Policies, continued

Encumbrances

The ORC requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

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

Fund Balance Reserves

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are contractually required to be maintained intact.

Restricted – Fund balance is reported as 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 – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes amounts not contained 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
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(1) Summary of Significant Accounting Policies, continued

Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

(2) Change in Accounting Principle

For the year ended December 31, 2011, the Township has adopted Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in no change to fund balances at December 31, 2010 as previously reported.

(3) 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>2012</u>	<u>2011</u>
Demand deposits	\$ <u>250,522</u>	<u>246,601</u>
Total deposits	\$ <u>250,522</u>	<u>246,601</u>

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

(4) Budgetary Activity

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

<u>Fund Type</u>	<u>2012 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 41,154	56,191	15,037
Special Revenue	<u>125,260</u>	<u>111,518</u>	<u>(13,742)</u>
Total	\$ <u>166,414</u>	<u>167,709</u>	<u>1,295</u>

**Richland Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(4) Budgetary Activity, continued

<u>2012 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 84,888	45,770	39,118
Special Revenue	<u>328,126</u>	<u>118,018</u>	<u>210,108</u>
Total	\$ <u>413,014</u>	<u>163,788</u>	<u>249,226</u>

<u>2011 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$ 43,247	59,482	16,235
Special Revenue	127,762	128,746	984
Capital Projects	<u>33,452</u>	<u>33,452</u>	-
Total	\$ <u>204,461</u>	<u>221,680</u>	<u>17,219</u>

<u>2011 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 77,523	50,010	27,513
Special Revenue	290,646	88,763	201,883
Capital Projects	<u>33,452</u>	<u>33,452</u>	-
Total	\$ <u>401,621</u>	<u>172,225</u>	<u>229,396</u>

(5) Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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.

**Richland Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(5) Property Tax, continued

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

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

(6) Retirement Systems

The Township's certified firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The ORC prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The ORC also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Township contributed to OP&F an amount equal to 24% of full-time firefighters' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

(7) Risk Management

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 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.), 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

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**Richland Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(7) Risk Management, 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, 2012 and 2011 (the latest information available):

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

At December 31, 2012 and 2011, respectively, liabilities above include approximately \$8.7 million and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.9 and \$8.6 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years in 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

2010	\$ 7,514
2011	9,083
2012	8,438

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary 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) Commitments

The Township is obligated to provide fire protection services to Salem Township, Wyandot County, Ohio through March 31, 2014 pursuant to a contract adopted in March 2011. The Township is also obligated to provide fire protection services to the Village of Kirby, Wyandot County, Ohio through March 31, 2014 pursuant to a contract adopted in April 2011.

**Richland Township
Wyandot County, Ohio
Notes to the Financial Statements, continued
December 31, 2012 and 2011**

(9) Subsequent Events

Subsequent events have been evaluated through July 24, 2013 which is the date the financial statements were available to be issued.

(10) Compliance

Contrary to Ohio law:

- In 2012 and 2011, the appropriations exceeded estimated resources by \$16,075 and \$16,089, respectively in the General Fund.
- The Township did not encumber funds prior to expenditure.
- Material reclassifications to the financial statements were necessary in order for them to be fairly stated.
- In 2012, appropriations exceeded available resources by \$1,038 in the General Fund and by \$1,913 in the Fire Fund. In 2011, appropriations exceed available resources by \$146 in the General Fund and by \$226 in the Fire Fund.
- The Township has not adopted a personal information policy as required by ORC Chapter 1347.
- In 2012 and 2011, the Township did not obtain an amended Certificate of Estimated Resources to identify a shortfall of anticipated revenue to the Fire Fund of \$1,913 and \$226, respectively, which reduced available revenue in the funds below appropriated amounts.

Wolf, Rogers, Dickey & Co.

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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, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, and have issued our report thereon dated July 24, 2013, wherein we noted the Township followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. In addition, we noted that in 2011 the Township adopted Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider Findings Number 2012-01 and 2012-02 described in the accompanying Schedule of Findings to be material weaknesses.

We identified a deficiency in internal control, described in the accompanying Schedule of Findings as Finding Number 2012-03 that we consider to be a significant deficiency.

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 such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as Findings Number 2012-03 to 2012-07.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Township's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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.

Wolf, Rogers, Dickey & Co.
Certified Public Accountants

July 24, 2013

**Richland Township
Wyandot County, Ohio
Schedule of Findings
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-01
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.

Several expenditures were miscoded but classified correctly on the financial statements.

- In 2012, \$41,832 of road work expenditures were coded to Capital Outlay but correctly classified as Public Works on the financial statement.
- In 2011, \$66,904 of Issue 1 expenditures were coded to Capital Outlay but correctly classified as Public Works on the financial statement.

An expenditure was miscoded and misclassified on the financial statements.

- In 2011, \$14,376 of road work expenditures was coded to Capital Outlay and incorrectly classified as General Government on the financial statements instead of Public Works.

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

- In both years, in various funds, fire and EMS contract expenditures were coded to General Government instead of Public Safety. Reclassifications totaled \$25,041 and \$12,817 for 2012 and 2011, respectively. In both years, fire revenues and expenditures were classified as a separate fund on the financial statements instead of as part of Special Revenue. Reclassification of revenues totaled \$17,778 and \$18,424 and expenditures totaled \$25,041 and \$12,817 for 2012 and 2011, respectively.
- In 2012 and 2011, \$6,366 and \$7,426, respectively, rollback and TPP revenue were reclassified from Local Taxes to Intergovernmental Revenue.
- In 2012, \$16,415 of estate tax received was reclassified from Special Assessments – Estate to Intergovernmental. In 2011, \$16,565 of estate tax received was reclassified from Miscellaneous to Intergovernmental.
- In 2012 and 2011, \$93,041 and \$77,631 of Special Revenue, respectively, were reclassified from License, Permits and Fees to Intergovernmental.
- In 2012 and 2011, \$17,158 and \$42,494 of Special Revenue, respectively, were reclassified from General Government to Public Works.
- In 2011, \$33,452 of Issue 1 money was reclassified from Capital Projects to the Special Revenue.

**Richland Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-01, continued
Material weakness

These adjustments were reclassifications between line items within the same fund, 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.

Finding Number 2012-02
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 2012 and 2011 were based on inaccurate beginning cash balances by fund. Fund balances did not agree to audited fund balances by fund as of December 31, 2010. The tables below reflect the actual audited cash balances (less encumbrances) by fund versus available cash balances by fund reported in the Certificate of Estimated Resources. The 2012 beginning audited balances also include adjustments made to 2011 transactions during the current audit.

<u>2011</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$ 18,187	34,276	(16,089)
Fire District Fund	17,103	17,103	-
Road and Bridge Fund	9,908	9,908	-
Motor Vehicle License Tax	24,913	24,913	-
Gasoline Tax Fund	127,035	110,960	16,075

**Richland Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-02, continued
Material weakness

<u>2012</u>	<u>Available Beginning Cash Balance</u>	<u>Certificate of Estimated Resources</u>	<u>Difference</u>
General Fund	\$ 27,659	43,734	(16,075)
Fire District Fund	22,710	22,710	-
Road and Bridge Fund	13,427	13,427	-
Motor Vehicle License Tax	28,884	28,884	-
Gasoline Tax Fund	153,921	137,845	16,076

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.

As a result of inaccurate fund balances the Township is at risk to 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 2012-03
Significant deficiency/noncompliance

ORC Section 5705.15 states that no subdivision shall transfer from one fund to another any public funds under its supervision if the proceeds or balances of funds are derived from any excise tax levied by laws for a specified purpose. The Fiscal Officer transferred funds from the Gas Tax Fund to the Capital Projects Funds and expended money from the Capital Projects Funds in the amount of \$33,452 in 2011.

Response by Township

No written response received.

**Richland Township
Wyandot County, Ohio
Schedule of Findings, continued
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-04
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 twenty-four of the twenty-six 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 2012-05
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 2012 and 2011 the appropriations exceeded estimated resources by \$16,075 and \$16,089, respectively 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, continued
December 31, 2012 and 2011**

**Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Finding Number 2012-06
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 2012, appropriations exceeded available resources in the General Fund by \$1,038, in the Fire Fund by \$1,913. In 2011, appropriations exceeded available resources in the General Fund by \$146 and in the Fire Fund by \$226. These deficits were caused by actual receipts falling below budgeted receipts. 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 2012-07
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, 2012 and 2011**

<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>
2010-01	Significant adjustments were necessary for financial statements to be fairly stated.	No	Repeated as Finding Number 2012-01.
2010-02	Trustee salaries charged to other than General Fund without adequate time logs.	Yes	Finding no longer valid.
2010-03	Funds were not always encumbered prior to expenditure.	No	Repeated as Finding Number 2012-04.
2010-04	Appropriations exceeded estimated resources.	No	Repeated as Finding Number 2012-05.
2010-05	Appropriations exceeded available resources.	No	Repeated as Finding Number 2012-06.
2010-06	Township has not adopted personal information policy.	Yes	Finding no longer valid.



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
OCTOBER 8, 2013**