



Dave Yost • Auditor of State

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2014	4
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13
Schedule of Findings.....	15
Summary Schedule of Prior Audit Findings	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Richland Township, Defiance County, Ohio (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 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.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are 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, Defiance County, Ohio 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 December 27, 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.



Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2016

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$15,961	\$263,326		\$279,287
Charges for Services	118,180			118,180
Licenses, Permits and Fees	1,050			1,050
Intergovernmental	74,221	160,466	\$1,050	235,737
Earnings on Investments	258	269		527
Miscellaneous	1,620	3,280		4,900
<i>Total Cash Receipts</i>	<u>211,290</u>	<u>427,341</u>		<u>639,681</u>
Cash Disbursements				
Current:				
General Government	89,291			89,291
Public Safety	127,131	98,611		225,742
Public Works	7,948	187,423		195,371
Conservation-Recreation		456		456
Capital Outlay	66	187,820	1,050	188,936
<i>Total Cash Disbursements</i>	<u>224,436</u>	<u>474,310</u>	<u>\$1,050</u>	<u>699,796</u>
<i>Excess of Disbursements Over Receipts</i>	(13,146)	(46,969)		(60,115)
Other Financing Receipts				
Other Financing Sources	150			150
<i>Net Change in Fund Cash Balances</i>	(12,996)	(46,969)		(59,965)
<i>Fund Cash Balances, January 1</i>	<u>356,918</u>	<u>391,322</u>		<u>748,240</u>
Fund Cash Balances, December 31				
Restricted		184,616		184,616
Committed		159,737		159,737
Unassigned	343,922			343,922
<i>Fund Cash Balances, December 31</i>	<u>\$343,922</u>	<u>\$344,353</u>		<u>\$688,275</u>

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$14,531	\$223,556		\$238,087
Charges for Services	114,820			114,820
Licenses, Permits and Fees	895			895
Intergovernmental	56,343	193,584	\$38,969	288,896
Earnings on Investments	278	240		518
Miscellaneous	7,739	15,134		22,873
<i>Total Cash Receipts</i>	<u>194,606</u>	<u>432,514</u>	<u>38,969</u>	<u>666,089</u>
Cash Disbursements				
Current:				
General Government	77,393			77,393
Public Safety	130,858	83,222		214,080
Public Works	15,164	264,113		279,277
Health	431			431
Conservation-Recreation		75		75
Capital Outlay	220	84,117	38,969	123,306
<i>Total Cash Disbursements</i>	<u>224,066</u>	<u>431,527</u>	<u>\$38,969</u>	<u>694,562</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(29,460)</u>	<u>987</u>		<u>(28,473)</u>
Other Financing Receipts (Disbursements)				
Advances In	5,000	5,000		10,000
Advances Out	(5,000)	(5,000)		(10,000)
Other Financing Sources	11,349			11,349
<i>Total Other Financing Receipts (Disbursements)</i>	<u>11,349</u>			<u>11,349</u>
<i>Net Change in Fund Cash Balances</i>	<u>(18,111)</u>	<u>987</u>		<u>(17,124)</u>
<i>Fund Cash Balances, January 1 (As Restated)</i>	<u>375,029</u>	<u>390,335</u>		<u>765,364</u>
Fund Cash Balances, December 31				
Restricted		253,298		253,298
Committed		138,024		138,024
Assigned	355,488			355,488
Unassigned	1,430			1,430
<i>Fund Cash Balances, December 31</i>	<u>\$356,918</u>	<u>\$391,322</u>		<u>\$748,240</u>

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 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 Richland Township, Defiance County, Ohio (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis 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 Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the 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.

The Township's repurchase agreement is valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

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

Fire and Rescue, Ambulance, and Emergency Medical Services (EMS) Fund - This fund receives property taxes and grants for providing fire and emergency rescue services to the residents of the Township as well as residents of Adams Township and the Village of Florida.

3. Capital Project Fund

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

Issue II Fund - The Township received a grant from the State of Ohio to replace a culvert on Hammon Road in 2014 and to resurface Township roads in 2015.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

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:

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. Nonspendable

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

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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	\$13,511	\$21,004
Repurchase Agreement	674,764	727,236
Total Deposits and Investments	\$688,275	\$748,240

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$402,800	\$211,440	(\$191,360)
Special Revenue	364,325	427,341	63,016
Capital Projects		1,050	1,050
Total	\$767,125	\$639,831	(\$127,294)

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$758,288	\$224,436	\$533,852
Special Revenue	755,701	483,450	272,251
Capital Projects	1,050	1,050	
Total	\$1,515,039	\$708,936	\$806,103

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,826	\$210,955	\$25,129
Special Revenue	326,275	437,514	111,239
Capital Projects		38,969	38,969
Total	\$512,101	\$687,438	\$175,337

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$655,031	\$229,066	\$425,965
Special Revenue	621,338	436,527	184,811
Capital Projects	38,969	38,969	
Total	\$1,315,338	\$704,562	\$610,776

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.

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

5. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 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.

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 the Ohio Bureau of Worker's Compensation.

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

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

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

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014, respectively.

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014:

	2015	2014
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	\$5,531,637	\$5,887,681

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

7. Prior Period Restatement

The beginning balance for the Township's General Fund, Motor Vehicle License Tax Fund (a Special Revenue fund), Permissive Motor Vehicle License Tax Fund (a Special Revenue fund), and Fire and Rescue, Ambulance, and Emergency Management Services Fund (a Special Revenue fund) have been restated to correct errors in receipts and disbursements from 2012 and 2013, which did not get posted to the Township's accounting ledgers until 2015. This prior period restatement had the following effect on the Township's fund balances as previously reported as of December 31, 2013:

	General	Special Revenue
Fund Balances, December 31, 2013	\$373,640	\$390,348
Restatement Due to Accounting Corrections	1,389	(13)
Restated Fund Balances, January 1, 2014	\$375,029	\$390,335

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. Compliance

Contrary to Ohio law, the Township did not post certain receipts to the proper funds in 2015 and 2014.

Also, contrary to Ohio law, the Township's legally adopted appropriations did not always agree to the amounts posted to the accounting system in 2015.

This page intentionally left blank.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Richland Township, Defiance County, Ohio (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 December 27, 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 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.

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-002 through 2015-006 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 through 2015-003.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

December 27, 2016

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Noncompliance Citation – Finding for Recovery Repaid Under Audit

The Township received an emergency medical services (EMS) training reimbursement grant totaling \$1,120 from the Ohio Department of Public Safety in 2014; however, the grant payment was not deposited and receipted on the Township's books. The reimbursement payment was inadvertently deposited and receipted by Jewell Volunteer Fire Department even though the grant expenditures were paid by Richland Township.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public monies due but not collected is hereby issued against Jewell Volunteer Fire Department in the amount of \$1,120 in favor of the General Fund of Richland Township.

The finding was repaid by the Jewell Volunteer Fire Department in the amount of \$1,120 by check number 2426, dated December 3, 2016. The Township recorded this amount as Receipt Number 135-2016 on December 4, 2016.

FINDING NUMBER 2015-002

Noncompliance Citation and Material Weakness

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

Additionally, **Ohio Rev. Code § 5735.27** requires monies collected under Ohio Rev. Code § 4501.04, 5735.23, and 5735.27, which includes gas tax and motor vehicle license taxes distributed through the county, must be deposited into a special fund for the purpose of street construction and maintenance.

- In 2015, \$1,047 in motor vehicle license tax, \$2,393 in gasoline tax, and \$2,134 in permissive motor vehicle license tax were improperly credited to the General Fund when they should have been recorded in the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund, respectively.
- In 2015 and 2014, fire and emergency management services (EMS) tax levy receipts amounting \$35,175 and \$20,371, respectively, were misposted to the Fire District Fund instead of the Fire and Rescue, Ambulance, and EMS Fund.
- In 2015 and 2014, tangible personal property tax loss reimbursement monies related to the fire levy totaling \$13,063 and \$29,326, respectively, were incorrectly posted to the Fire and Rescue, Ambulance, and EMS Fund when it should have been posted to the Fire District Fund. Additionally, \$1,177 in tangible personal property tax loss reimbursement monies related to the Township's general operating levy were improperly recorded in the Special Revenue Road and Bridge Fund instead of the General Fund in 2015.

- In 2014, homestead and rollback monies were misposted to improper funds, resulting in the fund balances being overstated by \$4,006 in the Road and Bridge Fund and understated by \$42 in the General Fund, \$1,615 in the Fire District Fund, and \$2,349 in the Fire and Rescue, Ambulance and EMS Fund.
- In 2015, \$8,550 in EMS training grants was improperly recorded in the Fire District Fund instead of the Fire and Rescue, Ambulance, and EMS Fund.
- In 2015 and 2014, health insurance premiums for the Township's full-time EMS personnel, which amounted to \$13,435 and \$13,345, respectively, were improperly charged to the Fire District Fund instead of the Fire and Rescue, Ambulance, and EMS Fund.

As a result of these incorrect postings, the Township's financial statements and accounting ledgers did not correctly reflect the financial activity of the Township. The Township's financial statements and accounting records have been adjusted so these transactions are reflected in the proper funds.

These errors were not identified and corrected prior to the audit due to deficiencies in the Township's financial statement monitoring.

These situations could result in monies being used for purposes other than those prescribed by law. Furthermore, inaccurate posting of transactions impedes the ability of the Township Trustees to accurately assess the financial status of the Township.

To prevent monies from being used for purposes other than those prescribed by law, we recommend the Fiscal Officer review all financial transactions to make sure they are included in the proper fund and account codes as specified in both the Ohio Township Handbook issued by the Auditor of State, and the Ohio Rev. Code.

FINDING NUMBER 2015-003

Noncompliance Citation and Material Weakness

Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriations.

At December 31, 2015, the Township's legally adopted appropriations varied with the amounts posted to the accounting system by the following amounts in the following funds:

Fund	Approved Appropriations	Posted Appropriations	Difference
General Fund	\$758,288	\$738,288	(\$20,000)
Fire and Rescue, Ambulance, and EMS Fund	203,610	228,610	25,000

The differences occurred since the Fiscal Officer posted amendments to the appropriations without obtaining Board approval and filing the amended appropriations with the County Auditor. The notes to the financial statements have been corrected to only reflect amounts officially approved by the Board.

Failure to obtain Board approval for all amendments could result in expenditures being made that are not within the intentions of the Board and could result in deficit spending.

The Board should develop policies and implement procedures to assure that all appropriation amendments are properly approved by the Board prior to being posted to the accounting system and submitted to the County Budget Commission. We further recommend the Board review the posted budgetary amounts periodically to ensure they match the amounts approved by the Board.

FINDING NUMBER 2015-004

Material Weakness – Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is fairly stated. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balance be divided into one of five classifications (nonspendable, restricted, committed, assigned, and unassigned) based on the extent to which constraints are imposed upon the resources in the governmental funds.

The Fiscal Officer is responsible for the majority of the functions related to the accounting records. Without proper separation of duties, there is a possibility errors or fraud could occur and not be detected in a timely period.

The Township lacked a policy regarding financial review which contributed to material posting discrepancies such as the following, occurring without detection:

- In 2015, property taxes totaling \$15,961 in the General Fund were misclassified as intergovernmental receipts.
- In 2015 and 2014, tangible personal property tax loss reimbursement monies related to the road and bridge levy amounting to \$38,817 and \$41,056, respectively, were misposted as property taxes instead of intergovernmental receipts in the Special Revenue Road and Bridge Fund.
- In 2015, a total of \$11,067 in payroll charges for fire department personnel were misposted as general government disbursements (\$10,244) and public works disbursements (\$823), respectively, instead of public safety disbursements in the General Fund.

- As of December 31, 2015 and 2014, the Special Revenue Road and Bridge Fund balances in the amounts of \$159,757 and \$138,024, respectively, were improperly classified as restricted fund balance instead of committed fund balance. These amounts should have been classified as committed, since inside millage on a Township road and bridge levy is considered to be a restriction internally imposed by the Trustees.
- As of December 31, 2014, the General Fund's appropriations exceeded estimated receipts for the subsequent year, and as such, this excess should have been reported as assigned fund balance instead of unassigned fund balance in accordance with GASB Statement No. 54. This overstated the unassigned fund balance and understated the assigned fund balance in the General Fund by \$355,488.

As a result of these errors, the Township's financial statements did not correctly reflect the financial activity of the Township. The Township's financial statements and accounting records have been adjusted to reflect these and other discrepancies ranging from \$27 to \$355,488.

We recommend the Fiscal Officer post all transactions in accordance with the guidance established by the Uniform Accounting Network manual and GASB Statement No. 54. Furthermore, the Township should adopt policies and procedures, including a fiscal review of the financial statements and notes to the financial statements, by the Fiscal Officer and the Trustees to help ensure errors and omissions are detected and corrected. Additionally, we recommend the Township review Auditor of State Bulletin 2011-004 and monitor the financial statements for inclusion of the proper GASB 54 disclosures.

FINDING NUMBER 2015-005

Material Weakness – Recording and Budgeting On-Behalf Grant Funds

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

In 2015 and 2014, the Township was the beneficiary of \$1,050 and \$38,969, respectively, of Ohio Public Works Commission (OPWC) money paid directly to the vendor by OPWC on behalf of the Township. The Fiscal Officer did not record this activity and the corresponding appropriations. Since OPWC paid the invoices, the Township did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the Township applies for a project and has administrative responsibilities. The financial statements were adjusted to reflect these amounts.

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

FINDING NUMBER 2015-006

Material Weakness – Posting of Estimated Receipts

Sound accounting practices provide that budgeted revenues posted to the Township’s ledgers be based on amounts formally reviewed and approved by the Board. Estimated receipts recorded in the Township’s ledgers differed from amounts approved by the Board and submitted to the County Budget Commission. Subsequently, the total amount of posted estimated receipts did not reflect the total amount of estimated receipts on the Amended Certificates of Estimated Resources in the following funds:

Year	Fund	Approved Estimated Receipts	Posted Estimated Receipts	Difference
2015	General Fund	\$402,800	\$758,288	\$355,488
	Motor Vehicle License Tax Fund	18,025	23,405	5,380
	Gasoline Tax Fund	70,050	99,219	29,169
	Road and Bridge Fund	121,200	263,230	142,030
	Fire District Fund	48,800	135,488	86,688
	Permissive Motor Vehicle License Tax Fund	15,050	30,750	15,700
	Fire and Rescue, Ambulance, and EMS Fund	91,200	203,610	112,410
2014	General Fund	185,826	655,031	469,205
	Motor Vehicle License Tax Fund	10,025	21,700	11,675
	Gasoline Tax Fund	65,100	129,712	64,612
	Road and Bridge Fund	98,400	191,896	93,496
	Fire District Fund	48,200	128,584	80,384
	Permissive Motor Vehicle License Tax Fund	14,050	20,916	6,866
	Fire and Rescue, Ambulance, and EMS Fund	90,500	128,530	38,030

These errors occurred in the posting of estimated receipts since the Fiscal Officer did not compare the total posted to the certificate of estimated resources and there was not an adequate review by the Board Members. The budgetary note to the financial statements was corrected to reflect the approved amounts.

Failure to accurately reflect budgetary figures in the accounting system could result in management basing their financial decisions on inaccurate information, which could possibly result in deficit spending.

We recommend estimated receipt amounts posted to the Township’s ledgers be based on the amounts officially approved on the Amended Certificates of Estimated Resources. Furthermore, the Township should develop procedures to ensure budgetary figures are properly reflected in the accounting system, including updating budgetary figures in the system on a periodic basis.

Officials’ Response:

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

This page intentionally left blank.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Status	Additional Information
2013-001	Ohio Rev. Code § 5705.10 for receipts not posted to the proper funds in 2013 and 2012.	Not corrected. Reissued as Finding 2015-002 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer plans to review future receipt and disbursement postings to make sure they are posted to the correct funds.
2013-002	Material weakness for lack of monitoring of financial transactions.	Not corrected. Reissued as Finding 2015-004 in this report.	The client declined to offer an explanation why the finding reoccurred. The Fiscal Officer will review the prior audit report, adjustments and reclassifications, and Village Handbook to help determine whether financial transactions are properly posted in the future.
2013-003	Material weakness for not recording and budgeting Ohio Public Works grants in 2013 and 2012.	Not corrected. Reissued as Finding 2015-005 in this report.	The client declined to offer an explanation why the finding reoccurred. In the future, the Fiscal Officer plans to obtain the on-behalf grant funding information from the County Engineer and record the on-behalf grant receipts and disbursements, as well as the corresponding appropriations, on the Township's accounting ledgers.
2013-004	Material weakness for not properly reconciling due to improperly recording receipts and posting an unsubstantiated disbursement in an attempt to reconcile the books in July 2013, which resulted in a reconciling difference and errors in reporting of financial activity.	Corrective action taken and finding is fully corrected.	

This page intentionally left blank.



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
JANUARY 12, 2017**