



**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005



Mary Taylor, CPA
Auditor of State

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

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FAIRIFELD COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Richland Township
Fairfield County
8215 Bope Road
Rushville, Ohio 43150

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richland Township, Fairfield County, Ohio, (the Township), as of and for the years ended December 31, 2006, and December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Richland Township, Fairfield County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Fire District, and FEMA Grant Funds thereof for the year then ended December 31, 2006 and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, Fire District, and Permissive Motor Vehicle License Funds thereof for the year then ended December 31, 2005 in conformity with the basis of accounting Note 2 describes.

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For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 17, 2007 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Township has not presented Management's Discussion and Analysis for the years ended December 31, 2006 and 2005, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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

Mary Taylor, CPA
Auditor of State

August 17, 2007

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$246,197
<i>Total Assets</i>	<u>246,197</u>
Net Assets	
Restricted for:	
Other Purposes	166,064
Unrestricted	<u>80,133</u>
<i>Total Net Assets</i>	<u>\$246,197</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$71,551	\$8,798	\$0	\$0	(\$62,753)
Public Safety	83,741	0	8,000	0	(75,741)
Public Works	174,167	17,176	93,598	0	(63,393)
Health	12,521	0	0	0	(12,521)
Capital Outlay	95,842	0	0	52,336	(43,506)
Debt Service:					
Principal Retirement	28,669	0	0	0	(28,669)
Interest and Fiscal Charges	6,055	0	0	0	(6,055)
<i>Total Governmental Activities</i>	<u>472,546</u>	<u>25,974</u>	<u>101,598</u>	<u>52,336</u>	<u>(292,638)</u>
		General Receipts			
		Property and Other Local Taxes Levied for:			
		General Purposes			20,420
		Road & Bridge			59,688
		Fire District			70,543
		Grants and Entitlements not Restricted to Specific Programs			50,054
		Sale of Capital Asset			8,000
		Earnings on Investments			3,591
		Miscellaneous			5,455
		<i>Total General Receipts</i>			217,751
		Change in Net Assets			(74,887)
		<i>Net Assets Beginning of Year</i>			321,084
		<i>Net Assets End of Year</i>			\$246,197

See accompanying notes to the basic financial statements

RICHLAND TOWNSHIP
FAIRFIELD COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Fire District	FEMA Grant	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$80,133	\$47,957	\$69,486	\$29,746	\$1,737	\$17,138	\$246,197
<i>Total Assets</i>	<u>80,133</u>	<u>47,957</u>	<u>69,486</u>	<u>29,746</u>	<u>1,737</u>	<u>17,138</u>	<u>246,197</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	80,133	0	0	0	0	0	80,133
Special Revenue Funds	0	47,957	69,486	29,746	1,737	17,138	166,064
<i>Total Fund Balances</i>	<u>\$80,133</u>	<u>\$47,957</u>	<u>\$69,486</u>	<u>\$29,746</u>	<u>\$1,737</u>	<u>\$17,138</u>	<u>\$246,197</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Fire District	FEMA Grant	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$20,420	\$0	\$59,688	\$70,543	\$0	\$17,176	\$167,827
Licenses, Permits and Fees	8,798	0	0	0	0	0	8,798
Intergovernmental	34,912	85,545	7,095	16,046	52,336	7,536	203,470
Earnings on Investments	3,317	415	0	0	0	377	4,109
Miscellaneous	1,178	0	639	3,638	0	0	5,455
<i>Total Receipts</i>	<u>68,625</u>	<u>85,960</u>	<u>67,422</u>	<u>90,227</u>	<u>52,336</u>	<u>25,089</u>	<u>389,659</u>
Disbursements							
Current:							
General Government	71,551	0	0	0	0	0	71,551
Public Safety	0	0	0	83,741	0	0	83,741
Public Works	2,237	85,046	37,890	0	0	48,994	174,167
Health	12,521	0	0	0	0	0	12,521
Capital Outlay	0	0	0	42,942	52,900	0	95,842
Debt Service:							
Principal Retirement	0	0	9,966	18,704	0	0	28,670
Interest and Fiscal Charges	0	0	2,305	3,749	0	0	6,054
<i>Total Disbursements</i>	<u>86,309</u>	<u>85,046</u>	<u>50,161</u>	<u>149,136</u>	<u>52,900</u>	<u>48,994</u>	<u>472,546</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,684)</u>	<u>914</u>	<u>17,261</u>	<u>(58,909)</u>	<u>(564)</u>	<u>(23,905)</u>	<u>(82,887)</u>
Other Financing Sources							
Sale of Capital Asset	0	0	0	8,000	0	0	8,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,000</u>	<u>0</u>	<u>0</u>	<u>8,000</u>
<i>Net Change in Fund Balances</i>	<u>(17,684)</u>	<u>914</u>	<u>17,261</u>	<u>(50,909)</u>	<u>(564)</u>	<u>(23,905)</u>	<u>(74,887)</u>
<i>Fund Balances Beginning of Year</i>	<u>97,817</u>	<u>47,043</u>	<u>52,225</u>	<u>80,655</u>	<u>2,301</u>	<u>41,043</u>	<u>321,084</u>
<i>Fund Balances End of Year</i>	<u>\$80,133</u>	<u>\$47,957</u>	<u>\$69,486</u>	<u>\$29,746</u>	<u>\$1,737</u>	<u>\$17,138</u>	<u>\$246,197</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$20,000	\$20,000	\$20,420	\$420
Licenses, Permits and Fees	8,404	8,404	8,798	394
Intergovernmental	36,000	36,000	34,912	(1,088)
Earnings on Investments	2,297	2,297	3,317	1,020
Miscellaneous	454	454	1,178	724
<i>Total receipts</i>	67,155	67,155	68,625	1,470
Disbursements				
Current:				
General Government	94,509	94,509	71,551	22,958
Public Works	5,500	5,500	2,237	3,263
Health	16,125	16,125	12,521	3,604
<i>Total Disbursements</i>	116,134	116,134	86,309	29,825
<i>Net Change in Fund Balance</i>	(48,979)	(48,979)	(17,684)	31,295
<i>Fund Balance Beginning of Year</i>	97,817	97,817	97,817	0
<i>Fund Balance End of Year</i>	\$48,838	\$48,838	\$80,133	\$31,295

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$71,501	\$71,501	\$85,545	\$14,044
Earnings on Investments	300	300	415	115
<i>Total receipts</i>	<u>71,801</u>	<u>71,801</u>	<u>85,960</u>	<u>14,159</u>
Disbursements				
Current:				
Public Works	<u>112,213</u>	<u>112,213</u>	<u>85,046</u>	<u>27,167</u>
<i>Total Disbursements</i>	<u>112,213</u>	<u>112,213</u>	<u>85,046</u>	<u>27,167</u>
<i>Net Change in Fund Balance</i>	(40,412)	(40,412)	914	41,326
<i>Fund Balance Beginning of Year</i>	<u>47,043</u>	<u>47,043</u>	<u>47,043</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$6,631</u></u>	<u><u>\$6,631</u></u>	<u><u>\$47,957</u></u>	<u><u>\$41,326</u></u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$53,400	\$53,400	\$59,688	\$6,288
Intergovernmental	7,000	7,000	7,095	95
Miscellaneous	0	0	639	639
<i>Total receipts</i>	<u>60,400</u>	<u>60,400</u>	<u>67,422</u>	<u>7,022</u>
Disbursements				
Current:				
Public Works	83,453	83,453	37,890	45,563
Debt Service:				
Principal Retirement	10,000	10,000	9,966	34
Interest and Fiscal Charges	3,000	3,000	2,305	695
<i>Total Disbursements</i>	<u>96,453</u>	<u>96,453</u>	<u>50,161</u>	<u>46,292</u>
<i>Net Change in Fund Balance</i>	(36,053)	(36,053)	17,261	53,314
<i>Fund Balance Beginning of Year</i>	<u>52,225</u>	<u>52,225</u>	<u>52,225</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$16,172</u></u>	<u><u>\$16,172</u></u>	<u><u>\$69,486</u></u>	<u><u>\$53,314</u></u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$68,000	\$68,000	\$70,543	\$2,543
Intergovernmental	14,500	14,500	16,046	1,546
Miscellaneous	2,086	2,086	3,638	1,552
<i>Total receipts</i>	<u>84,586</u>	<u>84,586</u>	<u>90,227</u>	<u>5,641</u>
Disbursements				
Current:				
Public Safety	99,550	99,550	83,741	15,809
Capital Outlay	42,942	42,942	42,942	0
Debt Service:				
Principal Retirement	19,000	19,000	18,704	296
Interest and Fiscal Charges	3,749	3,749	3,749	0
<i>Total Disbursements</i>	<u>165,241</u>	<u>165,241</u>	<u>149,136</u>	<u>16,105</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(80,655)</u>	<u>(80,655)</u>	<u>(58,909)</u>	<u>21,746</u>
Other Financing Sources (Uses)				
Sale of Capital Asset	0	0	8,000	8,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>8,000</u>	<u>8,000</u>
<i>Net Change in Fund Balance</i>	(80,655)	(80,655)	(50,909)	29,746
<i>Fund Balance Beginning of Year</i>	<u>80,655</u>	<u>80,655</u>	<u>80,655</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$29,746</u>	<u>\$29,746</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FEMA GRANT FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$59,687	\$59,687	\$52,336	(\$7,351)
Earnings on Investments	0	0	0	0
<i>Total receipts</i>	<u>59,687</u>	<u>59,687</u>	<u>52,336</u>	<u>(7,351)</u>
Disbursements				
Capitla Outlay	61,988	61,988	52,900	9,088
<i>Total Disbursements</i>	<u>61,988</u>	<u>61,988</u>	<u>52,900</u>	<u>9,088</u>
<i>Net Change in Fund Balance</i>	(2,301)	(2,301)	(564)	1,737
<i>Fund Balance Beginning of Year</i>	<u>2,301</u>	<u>2,301</u>	<u>2,301</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$1,737</u></u>	<u><u>\$1,737</u></u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$321,084
<i>Total Assets</i>	<u>321,084</u>
Net Assets	
Restricted for:	
Other Purposes	223,267
Unrestricted	97,817
<i>Total Net Assets</i>	<u>\$321,084</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Fire District	Permissive Motor Vehicle License	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$97,817	\$47,043	\$52,225	\$80,655	\$34,330	\$9,014	\$321,084
<i>Total Assets</i>	<u>97,817</u>	<u>47,043</u>	<u>52,225</u>	<u>80,655</u>	<u>34,330</u>	<u>9,014</u>	<u>321,084</u>
Fund Balances							
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	97,817	0	0	0	0	0	97,817
Special Revenue Funds	<u>0</u>	<u>47,043</u>	<u>52,225</u>	<u>80,655</u>	<u>34,330</u>	<u>9,014</u>	<u>223,267</u>
<i>Total Fund Balances</i>	<u>\$97,817</u>	<u>\$47,043</u>	<u>\$52,225</u>	<u>\$80,655</u>	<u>\$34,330</u>	<u>\$9,014</u>	<u>\$321,084</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General Fund	Gasoline Tax Fund	Road and Bridge Fund	Fire District	Permissive Motor Vehicle License	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$20,018	\$0	\$57,943	\$68,124	\$17,582	\$0	\$163,667
Licenses, Permits and Fees	6,414	0	0	0	0	0	6,414
Intergovernmental	51,701	76,688	7,004	14,962	0	27,159	177,514
Earnings on Investments	2,297	207	0	0	401	92	2,997
Miscellaneous	1,698	0	501	1,016	0	0	3,215
<i>Total Receipts</i>	<u>82,128</u>	<u>76,895</u>	<u>65,448</u>	<u>84,102</u>	<u>17,983</u>	<u>27,251</u>	<u>353,807</u>
Disbursements							
Current:							
General Government	74,289	0	0	0	0	0	74,289
Public Safety	0	0	0	57,060	0	0	57,060
Public Works	2,209	55,589	57,000	0	23,558	12,997	151,353
Health	15,991	0	0	0	0	0	15,991
Capital Outlay	0	0	54,098	45,567	0	17,521	117,186
Debt Service:							
Principal Retirement	0	0	0	0	0	11,746	11,746
Interest and Fiscal Charges	0	0	150	150	0	2,791	3,091
<i>Total Disbursements</i>	<u>92,489</u>	<u>55,589</u>	<u>111,248</u>	<u>102,777</u>	<u>23,558</u>	<u>45,055</u>	<u>430,716</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,361)</u>	<u>21,306</u>	<u>(45,800)</u>	<u>(18,675)</u>	<u>(5,575)</u>	<u>(17,804)</u>	<u>(76,909)</u>
Other Financing Sources (Uses)							
Sale of Capital Assets	6,900	0	0	15,800	0	0	22,700
Proceeds of Loans	0	0	54,248	34,402	0	0	88,650
Transfers In	0	0	0	0	0	14,530	14,530
Transfers Out	0	0	0	(14,530)	0	0	(14,530)
<i>Total Other Financing Sources (Uses)</i>	<u>6,900</u>	<u>0</u>	<u>54,248</u>	<u>35,672</u>	<u>0</u>	<u>14,530</u>	<u>111,350</u>
<i>Net Change in Fund Balances</i>	<u>(3,461)</u>	<u>21,306</u>	<u>8,448</u>	<u>16,997</u>	<u>(5,575)</u>	<u>(3,274)</u>	<u>34,441</u>
<i>Fund Balances Beginning of Year</i>	<u>101,278</u>	<u>25,737</u>	<u>43,777</u>	<u>63,658</u>	<u>39,905</u>	<u>12,288</u>	<u>286,643</u>
<i>Fund Balances End of Year</i>	<u><u>\$97,817</u></u>	<u><u>\$47,043</u></u>	<u><u>\$52,225</u></u>	<u><u>\$80,655</u></u>	<u><u>\$34,330</u></u>	<u><u>\$9,014</u></u>	<u><u>\$321,084</u></u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$19,000	\$19,000	\$20,018	\$1,018
Licenses, Permits and Fees	4,000	4,000	6,414	2,414
Intergovernmental	45,905	45,905	51,701	5,796
Earnings on Investments	2,000	2,000	2,297	297
Miscellaneous	0	0	1,698	1,698
<i>Total receipts</i>	<u>70,905</u>	<u>70,905</u>	<u>82,128</u>	<u>11,223</u>
Disbursements				
Current:				
General Government	85,632	90,062	74,289	15,773
Public Works	3,700	3,700	2,209	1,491
Health	16,750	19,750	15,991	3,759
Capital Outlay	60,560	53,130	0	53,130
<i>Total Disbursements</i>	<u>166,642</u>	<u>166,642</u>	<u>92,489</u>	<u>74,153</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(95,737)</u>	<u>(95,737)</u>	<u>(10,361)</u>	<u>85,376</u>
Other Financing Sources				
Sale of Capital Asset	0	0	6,900	6,900
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>6,900</u>	<u>6,900</u>
<i>Net Change in Fund Balance</i>	(95,737)	(95,737)	(3,461)	92,276
<i>Fund Balance Beginning of Year</i>	<u>101,278</u>	<u>101,278</u>	<u>101,278</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,541</u>	<u>\$5,541</u>	<u>\$97,817</u>	<u>\$92,276</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GASOLINE TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$61,040	\$61,040	\$76,688	\$15,648
Earnings on Investments	368	368	207	(161)
<i>Total receipts</i>	<u>61,408</u>	<u>61,408</u>	<u>76,895</u>	<u>15,487</u>
Disbursements				
Current:				
Public Works	<u>87,145</u>	<u>87,145</u>	<u>55,589</u>	<u>31,556</u>
<i>Total Disbursements</i>	<u>87,145</u>	<u>87,145</u>	<u>55,589</u>	<u>31,556</u>
<i>Net Change in Fund Balance</i>	(25,737)	(25,737)	21,306	47,043
<i>Fund Balance Beginning of Year</i>	<u>25,737</u>	<u>25,737</u>	<u>25,737</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$47,043</u></u>	<u><u>\$47,043</u></u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$52,786	\$52,786	\$57,943	\$5,157
Intergovernmental	7,000	7,000	7,004	4
Miscellaneous	0	0	501	501
<i>Total receipts</i>	59,786	59,786	65,448	5,662
Disbursements				
Current:				
Public Works	103,286	103,286	57,000	46,286
Capital Outlay	54,098	54,098	54,098	0
Interest and Fiscal Charges	150	150	150	0
<i>Total Disbursements</i>	157,534	157,534	111,248	46,286
<i>Excess of Receipts Over (Under) Disbursements</i>	(97,748)	(97,748)	(45,800)	51,948
Other Financing Sources				
Proceeds of Loans	54,248	54,248	54,248	0
<i>Total Other Financing Sources</i>	54,248	54,248	54,248	0
<i>Net Change in Fund Balance</i>	(43,500)	(43,500)	8,448	51,948
<i>Fund Balance Beginning of Year</i>	43,777	43,777	43,777	0
<i>Fund Balance End of Year</i>	\$277	\$277	\$52,225	\$51,948

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$67,000	\$67,000	\$68,124	\$1,124
Intergovernmental	11,717	11,717	14,962	3,245
Miscellaneous	0	13,548	1,016	(12,532)
<i>Total receipts</i>	<u>78,717</u>	<u>92,265</u>	<u>84,102</u>	<u>(8,163)</u>
Disbursements				
Current:				
Public Safety	97,800	97,800	57,060	40,740
Capital Outlay	54,349	54,349	45,567	8,782
Interest and Fiscal Charges	150	150	150	0
<i>Total Disbursements</i>	<u>152,299</u>	<u>152,299</u>	<u>102,777</u>	<u>49,522</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,582)</u>	<u>(60,034)</u>	<u>(18,675)</u>	<u>41,359</u>
Other Financing Sources (Uses)				
Sale of Capital Asset	15,800	15,800	15,800	0
Proceeds of Loans	34,402	34,402	34,402	0
Transfers Out	(14,530)	(14,530)	(14,530)	0
<i>Total Other Financing Sources (Uses)</i>	<u>35,672</u>	<u>35,672</u>	<u>35,672</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(37,910)	(24,362)	16,997	41,359
<i>Fund Balance Beginning of Year</i>	<u>63,658</u>	<u>63,658</u>	<u>63,658</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$25,748</u>	<u>\$39,296</u>	<u>\$80,655</u>	<u>\$41,359</u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PERMISSIVE MOTOR VEHICLE LICENSE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$14,791	\$14,791	\$17,582	\$2,791
Earnings on Investments	0	0	401	401
<i>Total receipts</i>	<u>14,791</u>	<u>14,791</u>	<u>17,983</u>	<u>3,192</u>
Disbursements				
Current:				
Public Works	54,696	54,696	23,558	31,138
<i>Total Disbursements</i>	<u>54,696</u>	<u>54,696</u>	<u>23,558</u>	<u>31,138</u>
<i>Net Change in Fund Balance</i>	(39,905)	(39,905)	(5,575)	34,330
<i>Fund Balance Beginning of Year</i>	<u>39,905</u>	<u>39,905</u>	<u>39,905</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$34,330</u></u>	<u><u>\$34,330</u></u>

See accompanying notes to the basic financial statements

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

Note 1 – Reporting Entity

The Richland Township, Fairfield County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance, fire protection and emergency medical services. Police protection is provided by Fairfield County Sheriff's Department.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township has no component units.

C. Jointly Governed Organizations and Public Entity Risk Pools

The Township participates in one jointly governed organization, Fairfield County Regional Planning Commission. Note 14 to the financial statements provides additional information for this entity. In addition, the Township contracts with Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool who provides property and casualty coverage for its members. Note 9 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.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance and net assets of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. All of the Township's funds are governmental.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the following:

General Fund – The General Fund accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Road and Bridge Fund – Road and Bridge Fund receives real estate property tax, personal property tax, manufactured home tax, and homestead and rollback for constructing, maintaining and repairing Township roads and bridges.

Fire District Fund - This fund receives real and personal property tax money for emergency and fire management.

Permissive Motor Vehicle License Tax (2005 only)– This fund receives property tax money for maintaining and repairing Township roads.

FEMA Grant (2006 only) – This fund receives federal grant monies for the purchase of equipment and training to be used in disaster situations.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

D. Budgetary Process (Continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Interest earnings are allocated to Township funds according to State statutes or grant requirements. Interest receipts credited to the General Fund during 2006 were \$3,317. Interest receipts were also credited to the Gasoline Tax, Permissive Motor Vehicle License, and Motor Vehicle License Tax funds in the amounts of \$415, \$275, and \$102, respectively. Interest receipts credited to the General Fund during 2005 was \$2,297. Interest receipts were also credited to the Gasoline Tax, Permissive Motor Vehicle License, and Motor Vehicle License Tax funds in the amounts of \$207, \$401, and \$92, respectively.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets

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

H. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

I. Long-Term Debt Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

At December 31, 2006 and 2005, the Township had outstanding debt for notes acquired to purchase an EMS vehicle, Brush Truck and Dump Truck. As of December 31, 2006, the loans for these notes had an outstanding principal balance totaling \$113,375.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for constructing, maintaining, and repairing Township roads and bridges.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 3 – Change in Basis of Accounting

In previous years the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. Beginning in 2005, the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type. This change had no effect on fund balance as previously reported.

Note 4 – Change in Accounting Principle

The Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosure." GASB Statement No. 40 established and modifies the disclosure requirements related to deposit and investment risks. The implementation of this statement did not result in any change to the Township's financial statements.

Note 5 – Compliance

Expenditures exceeded appropriations in the FEMA Grant fund by \$17,521 at December 31, 2005.

The Township did not encumber all commitments required by Ohio law.

Note 6 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General, Gasoline Tax, Road and Bridge, Fire District, and FEMA Grant Funds for 2006 and for the General, Gasoline Tax, Road and Bridge, Fire District, and Permissive Motor Vehicle License Funds for 2005 are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Note 7 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Deposits and Investments (Continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

At December 31, 2006 and December 31, 2005, the Township had no outstanding deposits and the bank balances were \$257,567 and \$338,923, respectively. Of the bank balance all funds were covered by federal depository insurance and a collateral pool established by The First Bremen Bank. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayments, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes, and real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes, and public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes, and tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the years ended December 31, 2006 and December 31, 2005, were \$6.00 and \$3.90 respectively, per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	2006	2005
Real Property		
Residential	\$25,540,440	\$ 24,794,490
Agriculture	6,928,070	7,043,570
Commercial/Industrial/Mineral	1,616,100	1,885,950
Public Utility Property		
Personal	2,368,050	2,408,470
Tangible Personal Property	146,220	211,675
Total Assessed Value	\$36,598,880	\$36,344,155

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 9 – 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 Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured specific losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 and 2005 were \$1,901,127 and \$1,682, 589, respectively.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 9 – 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 earning at December 31, 2006, 2005, and 2004:

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets	\$32,031,312	\$30,485,638	\$28,123,620
Liabilities	(11,443,952)	(12,344,576)	(11,086,379)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets	\$10,010,963	\$9,177,796	\$7,588,343
Liabilities	(676,709)	(1,406,031)	(543,176)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2006, 2005, and 2004, respectively, casualty coverage liabilities noted above include approximately \$10.8 million, \$11.6 million, and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million, \$11.6 million, and \$10.3 million of unpaid claims to be billed approximately 958 and 950 member governments in the future, as of December 31, 2006, 2005, and 2004, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$32,062 and \$38,872 at December 31, 2006 and December 31, 2005 respectively. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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.

Township Contributions to OTARMA	
2004	\$17,734
2005	\$19,436
2006	\$16,031

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 9 – Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must 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 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 was incurred or reported prior to the withdrawal.

Note 10 – Defined Benefit Pension Plan

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9 and 8.5 percent of their annual covered salaries, respectively. The Township's contribution rate for pension benefits for 2006 and 2005 were 9.2 and 9.55 percent, respectively. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2006, 2005, and 2004, were \$9,187, \$8,954, and \$7,255 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

Note 11 - Postemployment Benefits

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 and 2005 local government employer contribution rate was 13.70 and 13.55 percent respectively, of covered payroll; 4.50 and 4.0 percent of covered payroll was the portion that was used to fund health care for 2006 and 2005 respectively.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 11 - Postemployment Benefits (Continued)

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005 and December 31, 2004, include a rate of return on investments of 6.50 and 8 percent respectively, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50 percent and 6.3 percent based on additional annual pay increases. For 2006, health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50 and 6 percent annually for the next nine years and 4 percent annually after nine years. For 2005, health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans were 369,214 and 358,804 for 2006 and 2005 respectively. Actual Township contributions for 2006 and 2005 which were used to fund postemployment benefits were \$4,493 and \$3,750 respectively. The actual contribution and the actuarially required contribution amounts are the same. For 2006, the actuarial value of OPERS's net assets available for payment of benefits at December 31, 2005 (the latest information available) was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively. For 2005, the actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004 (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2007 and January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Note 12 – Debt

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006
EMS Vehicle Promissory Note	3.75%	\$53,394	\$0	\$12,553	\$40,841
Brush Truck Promissory Note	4.75%	34,402	0	6,150	28,252
International Dump Truck Promissory Note	4.25%	54,248	0	9,966	44,282
Total		\$142,044	\$0	\$28,669	\$113,375

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 12 – Debt (Continued)

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005
EMS Vehicle Promissory Note	3.75%	\$65,140	\$0	\$11,746	\$53,394
Brush Truck Promissory Note	4.75%	0	34,402	0	34,402
International Dump Truck Promissory Note	4.25%	0	54,248	0	54,248
Total		\$65,140	\$88,650	\$11,746	\$142,044

The Township entered into a note on February 10, 2004 to finance the purchase of a new Emergency Medical Squad to be used by the Fire Department. Tax proceeds from the fire operating levy have been pledged to pay the note.

The Township entered into a note on October 25, 2005 to finance purchase of a Brush Truck to be used by the Fire Department. Tax proceeds from the fire operating levy have been pledged to pay this note.

The Township entered into a note on July 26, 2005 to finance purchase of a new International Dump Truck to be used by the Road Department.

The following is a summary of the Township's future annual debt service requirements:

4Year	EMS Vehicle		Brush Truck		International Dump Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$13,120	\$1,410	\$6,581	\$1,342	\$10,389	\$1,882
2008	13,607	923	6,891	1,032	10,831	1,440
2009	14,114	416	7,221	702	11,291	980
2010	0	0	7,559	364	11,771	500
Totals	<u>\$40,841</u>	<u>\$2,749</u>	<u>\$28,252</u>	<u>\$3,440</u>	<u>\$44,282</u>	<u>\$4,802</u>

Note 13 – Interfund Transfers

There were no transfers during 2006. During 2005 \$14,530 was transferred from the Fire District Fund to Other Governmental Funds-Debt Service. The purpose of the transfer was to pay the amount due on the EMS Vehicle Promissory Note.

Note 14 – Jointly Governed Organization

Fairfield County Regional Planning Commission: The Township appoints a person to represent the Township on the 47 member board of the Fairfield County Regional Planning Commission. The Township pays a small membership fee annually. The fee is based on the per capita of the Township. There is no ongoing financial responsibility by the Township.

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Mary Taylor, CPA

Auditor of State

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

Richland Township
Fairfield County
8215 Bope Road
Rushville, Ohio 43150

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Richland Township, Fairfield County, Ohio, (the Township) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 17, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 through 2006-007.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-002 and 2006-007 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 17, 2007.

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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-003 through 2006-007.

We also noted a noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated August 17, 2007.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 17, 2007

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Zoning Fee Schedule/Zoning Permits - Significant Deficiency

Resolution No. ROa6-Zon Policy states the zoning fees for the year 2006, which are as follows; 15 cents per square foot for all buildings (\$25 minimum per building), \$25 per Sign, \$40 per swimming pool, \$300 per conditional use, \$300 per variances, \$325 per amendments and \$325 per appeals.

Seventeen percent, or \$323.36, of the 2006 zoning applications tested did not follow the Board approved zoning fee schedule.

Pre-numbered zoning permits can provide assurance that the Township properly accounts for all zoning application fees. The Township requires residents to obtain zoning permits for the construction and/or renovation of buildings. However, zoning permits were not pre-numbered.

Failure to follow the approved zoning fee schedule and not utilizing pre-numbered zoning permits could result in residents being charged the wrong zoning fees and misappropriation of zoning fee collections.

We recommend the Township follow the Board approved zoning fees schedule for each zoning fee application certificate and to utilize pre-numbered zoning permits.

FINDING NUMBER 2006-002

Financial Statement Adjustments – Material Weakness/ Significant Deficiency

Sound financial reporting is the responsibility of the Fiscal Officer of the Township and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Township made the following audit adjustments and reclassifications to the financial statements:

1. The Township made the following adjustments to reclassify Public Works expenditures from the Road and Bridge and Gasoline Tax funds to the 2005 and 2006 financial statements and accounting records.

2005		
General Fund - General Government expenditures	\$10,032	
Gasoline Fund – Public Works expenditures		\$ 5,818
Road and Bridge Fund – Public Works expenditures		\$ 4,214
2006		
General Fund - General Government expenditures	\$ 10,334	
Gasoline Fund – Public Works expenditures		\$ 5,787
Road and Bridge Fund – Public Works expenditures		\$ 4,547

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Financial Statement Adjustments – Material Weakness/ Significant Deficiency (Continued)

2. The Township incorrectly recorded the sale of brush, dump, and EMS and tanker truck to miscellaneous revenue within the General and Fire District Funds as opposed to Sale of Assets. The Township made the following reclassifications to the financial statements.

2005		
General Fund – Miscellaneous Revenue	\$6,900	
Fire District Fund – Miscellaneous Revenue	\$ 15,800	
General Fund – Sale of Capital Assets		\$6,900
Fire District Fund – Sale of Capital Assets		\$ 15,800
2006		
Fire District Fund – Miscellaneous Revenue	\$ 8,000	
Fire District Fund – Sale of Capital Assets		\$ 8,000

3. To correct the following classifications of program revenues for the years ended 2005 and 2006 due to interest earned in the General Fund showing up as program revenue, the other function was not consistent with the fund financial statements, and to post FEMA monies as a capital grant since monies were used to purchase fire equipment. The Township made the following reclassifications to the financial statements:

- 2005

Charges for Service – Other	\$ 6,414	
Grants and Entitlements – General Receipts	\$ 26,822	
Operating Grants – Public Works	\$ 2,699	
Earnings on Investments		\$ 2,699
Capital Grants – Capital Outlay		\$ 19,822
Charges for Service – General Govt.		\$ 6,414
Operating Grants – Public Safety		\$ 7,000

- 2006

Charges for Service – Other	\$ 8,798	
Grants and Entitlements – General Receipts	\$ 60,336	
Operating Grants – Public Works	\$ 3,591	
Earnings on Investments		\$ 3,591
Capital Grants – Capital Outlay		\$52,336
Charges for Service – General Govt.		\$ 8,798
Operating Grants – Public Safety		\$ 8,000

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-002 (Continued)

Financial Statement Adjustments – Material Weakness/ Significant Deficiency (Continued)

4. The Township incorrectly recorded the receipt of loan proceeds for the purchase of a fire truck to miscellaneous revenue within the Fire District Fund. The Township made the following reclassifications to the financial statements:

2005		
Fire District Fund – Miscellaneous Revenue	\$4,903	
Fire District Fund – Loan Proceeds	\$ 15,800	\$ 4,903

5. The Township did not record the loans proceeds and capital outlay related to the purchase of a dump truck and brush truck. The Township recorded the following transaction to the financial statements.

2005		
Fire District Fund – Capital Outlay	\$ 83,747	
Fire District Fund – Loan Proceeds		\$ 83,747

The fiscal officer should review the adjustments and reclassifications identified above and record them within the accounting recorded to ensure that similar errors are not reported on financial statements in subsequent years. Furthermore, we recommend that the Township review the Township Handbook to ensure transactions are classified and recorded properly.

FINDING NUMBER 2006-003

Trustee Salary and Benefits – Non-Compliance/Significant Deficiency

Ohio Rev. Code Section 505.24 (C) states the amount of the annual salary approved by the board shall be no more than the maximum amount that could be received annually by a trustee if the trustee were paid on a per diem basis as specified in this division, and shall be paid from the township general fund or from other township funds in such proportions as the board may specify by resolution.

The Township currently pays 100% of all of the Trustees' salaries out of the Road and Bridge and Gasoline Tax Special Revenue Funds. According to a Trustee, the Trustees spend approximately 60 percent of the time performing road/bridge work. Therefore, 40 percent of the Trustees' salaries should be paid out of the General Fund.

This could result in restricted funds to be used for improper purposes.

We recommend the Township retroactively pass a Resolution stating that 60 percent of the Trustees' salaries and benefits are to be paid out of the Road and Bridge and Gasoline Tax Funds.

The Township made the adjustments, as noted in Finding 2006-002, to reclassify Public Works expenditures from the Road and Bridge and Gasoline Tax funds to the General fund to the 2005 and 2006 financial statements and accounting records.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2006-004

Employee Status for Fire Chief and Volunteer Firefighters - Non-Compliance/Significant Deficiency

In accordance with 26 U.S.C Section 3121(d)(2) Internal Revenue Service (IRS) Publication 963, Chap 4, explains that any individual will have the status of an employee if her or she meets the usual common-law rules applicable in determining the employer-employee relationship. The common-law rule for determining whether a worker is an employee is whether the service recipient (i.e., the government entity) has the right to direct and control the worker as to the manner and means of the worker's job performance. In other words, does the entity have the right to tell the worker not only what shall be done but how it shall be done?

In addition, IRS Publication 963, Chap. 4 states:

When a worker who is termed a *volunteer* receives compensation, and there is an employer-employee relationship, that compensation is wages subject to FICA tax (unless an exclusion applies).

In some cases, rather than receive salaries, firefighters may receive amounts intended to reimburse them for expenses. They may also receive other cash or in-kind benefits that may be wages. To avoid being taxed as wages, these reimbursements must be paid under an *accountable plan*. An accountable plan is one that is designed to reimburse only actual, substantiated business expenses. An accountable plan must (1) require workers to substantiate incurred business expenses, (2) provide advances or reimbursements only for reasonably expected business expenses, and (3) require that any amounts received that exceed substantiated expenses must be returned within a reasonable period. The requirements apply slightly differently with mileage or per diem allowances where an amount is deemed to be substantiated. (See Publication 535, Business Expenses.) Amounts that are termed *reimbursements* but that are not paid under an accountable plan are subject to income and social security and Medicare taxes. Therefore, a *per diem* or fixed amount paid to a firefighter (or other worker), that does not reimburse actual, documented expenses, is includible in income and subject to social security and Medicare.

Volunteers may claim that their services are excluded from employment under the emergency worker exclusion. IRC §3121(b)(7)(F)(iii) provides that services performed by employees on a temporary basis in the case of fires, storm, snow, earthquake, flood or other similar emergency are exempt from employment. Firefighters who are on call and work regularly but intermittently do not qualify for the emergency worker exclusion. This exception applies only to temporary workers who respond to unforeseen emergencies, such as hurricanes or floods.

The Fire Chief and Volunteer Firefighters meet the definition of an employee; however, the Township accounts for these individuals as contractors: and as such, the Township is not withholding or contributing to any taxes or retirement system for these individuals.

We recommend the Township obtain a written opinion from the IRS regarding the employment status of the Fire Chief, Firefighters, and any other "volunteer" they have employed. If that Opinion determines them to be considered a Township employee, the Fiscal Officer should withhold taxes and contribute to the appropriate retirement system.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

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

FINDING NUMBER 2006-005

Timely Deposit of Public Funds – Non-Compliance/Significant Deficiency

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day.

Zoning fees are collected by the Zoning Inspector and deposited monthly with the Fiscal Officer.

Failure to deposit funds in a timely manner with either the bank or the Fiscal Officer allows for the potential of theft or fraud.

We recommend either the Zoning Inspector and Fiscal Officer develop a process that allows zoning fees collected to be deposited with the Fiscal Officer or the bank within one business day of collection, or for the Board to approve a policy allowing personnel to maintain cash for a period of time greater than one but no later than 3 business days if collection is less than \$1,000.

FINDING NUMBER 2006-006

Expenditures Exceeding Appropriations - Non-Compliance/Significant Deficiency

Ohio Rev. Code Section 5705.41(B) states, in part, that no subdivision or taxing unit is to make any expenditure unless it has been properly appropriated as provided in such chapter. Expenditures (plus encumbrances) exceeded appropriations at December 31, 2005 at the fund level in the following fund:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>	<u>Variance</u>
FEMA Grant	\$0	\$17,521	(\$17,521)

The Fiscal Officer should deny payment requests exceeding appropriations and periodically compare actual expenditures plus outstanding encumbrances to appropriations to avoid potential overspending. In addition, the Fiscal Officer may request the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

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

FINDING NUMBER 2006-007

**Certifying Expenditures Prior to Commitment – Material Noncompliance/Significant
Deficiency/Material Weakness**

Ohio Rev. Code Section 5705.41(D)(1) provides 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 or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Certificate-** Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account 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 Certificate** The Township may also issue certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expenses. 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.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006
(Continued)**

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

FINDING NUMBER 2006-007 (Continued)

**Certifying Expenditures Prior to Commitment – Material Noncompliance/Significant
Deficiency/Material Weakness (Continued)**

The Township did not properly certify the availability of funds prior to purchase commitment for 88% and 75% of the expenditures tested for 2005 and 2006, respectively, and there was no evidence that the Township followed the aforementioned exceptions.

Without these certifications, the management of the Township lost some degree of budgetary control over expenditures and, as more fully explained in finding 2006-006, this condition allowed noncompliance with Ohio Revised Code § 5705.41(B) to occur. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also 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 funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that funds are or will be available prior to obligation by the township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Clerk should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Official's Response: We did not receive a response from the Officials to the findings reported above.

**RICHLAND TOWNSHIP
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code 5705.41(B), expenditures exceeding appropriations.	No	See finding 2006-006



Mary Taylor, CPA
Auditor of State

RICHLAND TOWNSHIP

FAIRFIELD 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
SEPTEMBER 25, 2007**