



**Certified Public Accountants, A.C.**

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY  
Regular Audit  
For the Years Ended December 31, 2017 and 2016**

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# Dave Yost • Auditor of State

Board of Trustees  
Richland Township  
P. O. Box 30144  
Jewell, Ohio 43530

We have reviewed the *Independent Auditor's Report* of Richland Township, Defiance County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

August 29, 2018

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**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

June 22, 2018

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

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, (the Township) as of and for the years ended December 31, 2017 and 2016.

### ***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 2 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, 2017 and 2016, 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 cash balances, receipts and disbursements by fund type, and related notes of Richland Township, Defiance County as of December 31, 2017 and 2016, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, 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.



**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 19,061	\$ 315,067	\$ -	\$ 334,128
Charges for Services	99,251	-	-	99,251
Licenses, Permits and Fees	1,410	-	-	1,410
Intergovernmental	65,686	122,137	3,152	190,975
Earnings on Investments	125	130	-	255
Miscellaneous	4,555	81,224	-	85,779
<i>Total Cash Receipts</i>	<u>190,088</u>	<u>518,558</u>	<u>3,152</u>	<u>711,798</u>
<b>Cash Disbursements</b>				
Current:				
General Government	99,213	22,343	-	121,556
Public Safety	126,555	105,547	-	232,102
Public Works	-	227,131	-	227,131
Conservation-Recreation	-	418	-	418
Capital Outlay	26,923	294,763	3,152	324,838
<i>Total Cash Disbursements</i>	<u>252,691</u>	<u>650,202</u>	<u>3,152</u>	<u>906,045</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(62,603)</u>	<u>(131,644)</u>	<u>-</u>	<u>(194,247)</u>
<b>Other Financing Receipts</b>				
Other Financing Sources	42	-	-	42
<i>Total Other Financing Receipts</i>	<u>42</u>	<u>-</u>	<u>-</u>	<u>42</u>
<i>Net Change in Fund Cash Balances</i>	(62,561)	(131,644)	-	(194,205)
<i>Fund Cash Balances, January 1</i>	<u>70,309</u>	<u>480,565</u>	<u>-</u>	<u>550,874</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	221,687	-	221,687
Committed	-	127,234	-	127,234
Assigned	7,748	-	-	7,748
<i>Fund Cash Balances, December 31</i>	<u>\$ 7,748</u>	<u>\$ 348,921</u>	<u>\$ -</u>	<u>\$ 356,669</u>

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

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Richland Township, Defiance County, (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.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in the Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds 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. The funds of the Township are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported 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.

***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:

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

***Fire District Fund*** This fund receives tax money for providing fire and emergency rescue services to the residents of the Township.

***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 funds:

***Issue II Fund*** The Township received a grant from the State of Ohio to resurface Township roads.

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

**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 2017 budgetary activity appears in Note 4.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

***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:

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

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

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Fund Balance (Continued)**

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

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

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

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

**Note 3 – Compliance**

The Township did not properly certify the availability of funds through an encumbrance process, which is contrary to Ohio Rev. Code Section 5705.41(D).

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 193,600	\$ 190,130	\$ (3,470)
Special Revenue	436,495	518,558	82,063
Capital Projects	3,152	3,152	-
Total	\$ 633,247	\$ 711,840	\$ 78,593

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 290,411	\$ 256,251	\$ 34,160
Special Revenue	835,557	656,733	178,824
Capital Projects	3,152	3,152	-
Total	\$ 1,129,120	\$ 916,136	\$ 212,984

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 5 – Deposits and Investments**

The Township maintains a deposit 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:

	2017
Demand deposits	\$ 40,373
Total Deposits	40,373
Repurchase Agreement	316,296
Total Investments	316,296
Total deposits and investments	\$ 356,669

***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.

**Note 6 – Property Taxes**

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.

**Note 7 - Risk Management**

***Risk Pool Membership***

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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.

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 7 - Risk Management (Continued)**

***Risk Pool Membership (Continued)***

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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016, the most recent information available at the time the footnotes were prepared.

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, 2016 (latest information available).

	2016
Assets	\$ 14,765,712
Liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2017.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

**RICHLAND TOWNSHIP**  
*DEFIANCE COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*  
*(Continued)*

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 18,033	\$ 310,768	\$ -	\$ 328,801
Charges for Services	101,397	-	-	101,397
Licenses, Permits and Fees	3,679	-	-	3,679
Intergovernmental	69,142	170,402	30,328	269,872
Earnings on Investments	251	260	-	511
Miscellaneous	3,943	22,410	-	26,353
<i>Total Cash Receipts</i>	<u>196,445</u>	<u>503,840</u>	<u>30,328</u>	<u>730,613</u>
<b>Cash Disbursements</b>				
Current:				
General Government	101,331	-	-	101,331
Public Safety	137,973	89,390	-	227,363
Public Works	11,786	179,582	-	191,368
Conservation-Recreation	-	266	-	266
Capital Outlay	216,966	98,390	30,328	345,684
<i>Total Cash Disbursements</i>	<u>468,056</u>	<u>367,628</u>	<u>30,328</u>	<u>866,012</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(271,611)</u>	<u>136,212</u>	<u>-</u>	<u>(135,399)</u>
<b>Other Financing (Disbursements)</b>				
Other Financing Sources	1,995	-	-	1,995
Other Financing Uses	(3,997)	-	-	(3,997)
<i>Total Other Financing (Disbursements)</i>	<u>(2,002)</u>	<u>-</u>	<u>-</u>	<u>(2,002)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(273,613)</u>	<u>136,212</u>	<u>-</u>	<u>(137,401)</u>
<i>Fund Cash Balances, January 1</i>	<u>343,922</u>	<u>344,353</u>	<u>-</u>	<u>688,275</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	294,253	-	294,253
Committed	-	186,312	-	186,312
Assigned	70,309	-	-	70,309
<i>Fund Cash Balances, December 31</i>	<u>\$ 70,309</u>	<u>\$ 480,565</u>	<u>\$ -</u>	<u>\$ 550,874</u>

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



**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 1 – Reporting Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Richland Township, Defiance County, (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.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Township participates in the Ohio Plan Risk Management Inc. (OPRM) public entity risk pool. Note 7 to the financial statements provide additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which are organized on a fund type basis.

***Fund Accounting***

The Township uses funds 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. The funds of the Township are presented below:

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***Issue II Fund*** The Township received a grant from the State of Ohio to resurface Township roads.

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 2 – Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

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

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

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

**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 2016 budgetary activity appears in Note 4.

***Capital Assets***

The Township records disbursements for acquisitions of property, plant and equipment when paid. The accompanying financial statements do not report these items as assets.

***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:

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

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

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Fund Balance (Continued)**

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

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

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

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

**Note 3 – Compliance**

Contrary to Ohio law, the Township’s expenditures exceeded legally adopted appropriations within the General, Motor Vehicle License, Fire, Permissive Motor Vehicle License, and Fire and Rescue Funds. Also contrary to Ohio law, the Township did not properly certify the availability of funds through an encumbrance process, which is contrary to Ohio Rev. Code Section 5705.41(D).

**Note 4 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 421,300	\$ 198,440	\$ (222,860)
Special Revenue	399,340	503,840	104,500
Capital Projects	30,328	30,328	-
Total	\$ 850,968	\$ 732,608	\$ (118,360)

  

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 348,277	\$ 473,497	\$ (125,220)
Special Revenue	339,978	369,405	(29,427)
Capital Projects	30,328	30,328	-
Total	\$ 718,583	\$ 873,230	\$ (154,647)

**RICHLAND TOWNSHIP**  
*DEFIANCE COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 5 – Deposits and Investments**

The Township maintains a deposit 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:

	2016
Demand deposits	\$ 40,339
Total Deposits	40,339
Repurchase Agreement	510,535
Total Investments	510,535
Total deposits and investments	\$ 550,874

***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.

**Note 6 – Property Taxes**

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.

**Note 7 - Risk Management**

***Risk Pool Membership***

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (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.

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.

**RICHLAND TOWNSHIP**  
**DEFIANCE COUNTY**  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 7 - Risk Management (Continued)**

***Risk Pool Membership (Continued)***

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. Until November 1, 2016, 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. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% 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 762 members as of December 31, 2016.

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, 2016.

	2016
Assets	\$ 14,765,712
Liabilities	(9,531,506)
Members' Equity	\$ 5,234,206

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. 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, 2016.

**Note 9 – Postemployment Benefits**

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

**RICHLAND TOWNSHIP**  
*DEFIANCE COUNTY*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*  
*(Continued)*

**Note 10 – Contingent Liabilities**

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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

June 22, 2018

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

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, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated June 22, 2018, 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 audit findings that we consider to be material weaknesses. We consider findings 2017-001 through 2017-004 to be material weaknesses.

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...*"bringing more to the table"*

### **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 audit findings as items 2017-004 through 2017-006.

We also noted a certain matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated June 22, 2018.

### **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.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2017-001**

**Material Weakness**

**Posting Receipts, Disbursements and Classification of Fund Balances**

The Township should have procedures and controls in place to help prevent and detect errors in financial reporting. Fund balances should be properly classified based on Governmental Accounting Standards Board Statement No. 54 – “Fund Balance Reporting and Governmental Fund Type Definitions.”

Receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Real Estate Settlements from the County Auditor were recorded as Intergovernmental instead of Property and Other Local Taxes in the General Fund in 2017 and 2016;
- Rollback receipts were recorded as Property and Other Local Taxes instead of Intergovernmental in the General Fund in 2017 and 2016;
- A reimbursement from a 2013 EMS Grant, reporting as a Finding for Recovery in the prior audit, was recorded into the Fire Fund instead of the General Fund;
- A grant was recorded as Miscellaneous instead of Intergovernmental in 2016;
- One tax receipt of the Township was posted at the net, instead of being recorded at gross and applicable deductions being recorded as expenditures;
- Capital Projects pass-through revenue and disbursement was not recorded into the Township's system in 2017 and 2016;
- General Fund balance was classified as Unassigned rather than Assigned in 2017 and 2016.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts, disbursements and fund balances are properly identified and classified on the financial statements.

We recommend the Township ensure that the account codes used within its accounting system roll-up into the correct line item on the Township's financial statements. We also recommend the Fiscal Officer refer to the Ohio Township Handbook and other Auditor of State resources for guidance to determine the proper establishment of receipt accounts and posting of receipts.

The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-04 for assistance with fund balance classifications.

**Management's Response** – Officials did not provide a response to this finding.

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-002**

**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 2017 and 2016, the Township was the beneficiary of \$3,152 and \$30,328, 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 2017-003**

**Material Weakness**

**Financial Reporting**

The required components of the financial statements will vary by entity type and basis of accounting. Regulatory Cash Basis entities are required to file financial statements and notes to the financial statements within 60 days of the fiscal year end. *GASB Codification 2300* explains that notes to the financial statements are intended to communicate information that is necessary for a fair presentation of the financial statements that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes to the financial statements are an integral part of the financial statements, intended to be read with the financial statements, and are the entity's responsibility to prepare. To ensure compliance with the annual financial report filing requirements, entities should plan sufficient time and engage any necessary assistance to prepare their annual financial report.

During the audit, aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures. We made corrections to the:

- Basis of presentation paragraph
- Significant Special Revenue Funds listing
- Basis of Accounting paragraph
- Appropriations note
- Budgetary tables
- Deposits and Investments table
- Risk Pool Membership disclosure
- Postemployment benefits disclosure

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-003 (Continued)**

**Material Weakness (Continued)**

**Financial Reporting (Continued)**

- Contingent Liabilities disclosure

We recommend the Township use the available templates for financial statements and notes to the financial statements on the Auditor of State's website to prepare an accurate annual financial report.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2017-004**

**Noncompliance/Material Weakness**

**Ohio Revised Code, §505.24(C)**, sets forth the method by which Township trustees' compensation should be allocated. This section is amplified by Ohio Attorney General (OAG) Opinion 2004-006. This section requires that compensation of a Township trustee must be paid from the Township General Fund or from such other Township funds, in such proportions as the Board may specify by resolution. In addition, Trustees are to establish administrative procedures to document the proportionate amount of trustees' salaries chargeable to other Township funds based on the portion of time spent on matter related to the services rendered. The "administrative procedures" can be timesheets or a similar method of record keeping, as long as the Trustees document all time spent on Township business and the type of service performed, in a manner similar to Trustees paid per diem compensation.

During 2017 and 2016, the Fiscal Officer apportioned Trustees' salaries to the General and Gasoline Tax funds. The amounts charged did not agree to the payroll certifications that were prepared. As a result, the Gasoline Tax fund was incorrectly charged \$22,343 in 2017 and \$17,644 in 2016. The General Fund was also incorrectly charged \$4,321 in 2016.

As a result, adjustments were made in order to fairly present the annual financial statements. The financial statements reflect these adjustments and all adjustments have been made to the Township's accounting system.

We recommend all Trustees' salaries be paid according to administrative procedures established to document the proportionate amount of trustees' salaries chargeable to other township funds.

**Management's Response** – We did not receive a response from officials to this finding.

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2017-005**

**Noncompliance**

**Ohio Revised Code Section 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 that 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 taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority 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 taxing authority.

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

The Township did not properly certify the availability of funds prior to purchase commitment for 100% of the expenditures tested for 2017 and 2016.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

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

**FINDING NUMBER 2017-005 (Continued)**

**Noncompliance (Continued)**

**Ohio Revised Code Section 5705.41(D) (Continued)**

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – We did not receive a response from officials to this finding.

**FINDING NUMBER 2017-006**

**Noncompliance**

**Ohio Rev. Code Section 5705.41(B)** provides no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

During 2016, total expenditures exceeded appropriations by \$125,220 in the General Fund, \$8,945 in the Motor Vehicle License Tax Fund, \$42,350 in the Fire Fund, \$35 in the Permissive Motor Vehicle License Fund and \$6,256 in the Fire and Rescue Fund.

The Fiscal Officer and Trustees should monitor appropriations versus estimated resources to help avoid overspending. Officials should review the requirements of ORC section 5705 to be familiar with these laws and ensure the Township is complying with applicable sections.

In addition, the Township did not have a control procedure in place to ensure appropriations and estimated receipts, as authorized by the Township Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate.

We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the County Budget Commission after each amendment.

**Officials' Response:** Officials did not provide a response to this finding.

**RICHLAND TOWNSHIP  
DEFIANCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding for Recovery Repaid Under Audit	Partially Corrected	Reimbursed to incorrect fund. Reissued as part of Finding 2017-001.
2015-002	Posting Receipts	Not Corrected	Reissued as Finding 2017-001.
2015-003	Estimated Appropriations	Not Corrected	Reissued as Finding 2017-006.
2015-004	Monitoring of Financial Statements	Not Corrected	Reissued as Finding 2017-001.
2015-005	Recording and Budgeting On-Behalf Grant Funds	Not Corrected	Reissued as Finding 2017-002.
2015-006	Posting of Estimated Receipts	Not Corrected	Reissued as Finding 2017-006.



# Dave Yost • Auditor of State

**RICHLAND TOWNSHIP**

**DEFIANCE 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 11, 2018**