



**Auditor of State  
Betty Montgomery**



**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

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**Auditor of State  
Betty Montgomery**

Randolph Township  
Portage County  
3636 Waterloo Road  
Randolph, OH 44265

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in black ink that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

August 11, 2006

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Randolph Township  
Portage County  
3636 Waterloo Road  
Randolph, OH 44265

To the Board of Trustees:

We have audited the accompanying financial statements of Randolph Township, Portage County, (the Township) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion 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 audit 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 opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Randolph Township, Portage County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2006, 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.



**Betty Montgomery**  
Auditor of State

August 11, 2006



**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Type Expendable Trust	(Memorandum Only)
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$116,434	\$465,318	\$71,285	\$0	\$0	\$653,038
Licenses, Permits, and Fees	0	14,236	0	0	0	14,236
Intergovernmental	119,013	177,203	19,972	166,700	0	484,640
Earnings on Investments	3,610	517	0	0	0	4,127
Miscellaneous	39,305	22,580	0	0	0	61,886
<b>Total Cash Receipts</b>	<b>278,362</b>	<b>679,854</b>	<b>91,257</b>	<b>166,700</b>	<b>0</b>	<b>1,217,927</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	258,014	120,183	0	0	0	378,197
Public Safety	0	144,622	18	0	0	144,639
Public Works	5,104	413,256	0	166,700	0	585,059
Health	0	7,169	0	0	0	7,169
Capital Outlay	81,519	3,326	0	0	0	84,845
Debt Service:						
Redemption of Principal	0	0	72,684	0	0	72,684
Interest and Other Fiscal Charges	0	0	4,376	0	0	4,376
<b>Total Cash Disbursements</b>	<b>344,637</b>	<b>688,556</b>	<b>77,078</b>	<b>166,700</b>	<b>0</b>	<b>1,276,969</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(66,275)</b>	<b>(8,702)</b>	<b>14,180</b>	<b>0</b>	<b>0</b>	<b>(59,042)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Fixed Assets	0	2,695	0	0	0	2,695
<b>Total Other Financing Receipts</b>	<b>0</b>	<b>2,695</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,695</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements</b>	<b>(66,275)</b>	<b>(6,007)</b>	<b>14,180</b>	<b>0</b>	<b>0</b>	<b>(56,347)</b>
Fund Cash Balance, January 1	129,449	341,627	20,242	0	3,989	495,308
Restatement (see Note 8)	1,472					1,472
<b>Fund Cash Balance, December 31</b>	<b>\$64,647</b>	<b>\$335,620</b>	<b>\$34,422</b>	<b>\$0</b>	<b>\$3,989</b>	<b>\$440,432</b>
Reserve for Encumbrances, December 31	\$43,000	\$24,000	\$0	\$0	\$0	\$67,000

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

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004**

	<b>Fiduciary Fund Types Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$63
Total Operating Cash Receipts	63
<b>Operating Cash Disbursements:</b>	
Total Operating Cash Disbursements	0
Operating Income	63
 Fund Cash Balance, January 1	 3,705
<b>Fund Cash Balance, December 31</b>	<b>\$3,768</b>

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

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003**

	Governmental Fund Types			Capital Projects	Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service		Fund Type Expendable Trust	
<b>Cash Receipts:</b>						
Property and Other Local Taxes	\$99,707	\$433,894	\$73,988	\$0	\$0	\$607,589
Licenses, Permits, and Fees	0	14,911	0	0	0	14,911
Fines and Forfeitures	0	0	0	0	0	0
Intergovernmental	114,366	165,438	0	54,246	0	335,591
Special Assessments	0	0	0	0	0	0
Earnings on Investments	3,312	636	0	0	0	3,948
Miscellaneous	40,300	13,670	0	0	0	53,970
<b>Total Cash Receipts</b>	<b>257,685</b>	<b>628,548</b>	<b>73,988</b>	<b>54,246</b>	<b>0</b>	<b>1,014,466</b>
<b>Cash Disbursements:</b>						
Current:						
General Government	211,264	111,817	0	0	0	323,081
Public Safety	0	148,450	0	0	0	148,450
Public Works	2,970	317,258	0	54,246	0	374,474
Health	1,998	2,170	0	0	0	4,167
Capital Outlay	59,569	16	0	0	0	59,585
Debt Service:						
Redemption of Principal	0	0	70,083	0	0	70,083
Interest and Other Fiscal Charges	0	0	5,296	0	0	5,296
<b>Total Cash Disbursements</b>	<b>275,800</b>	<b>579,711</b>	<b>75,379</b>	<b>54,246</b>	<b>0</b>	<b>985,136</b>
Total Receipts Over/(Under) Disbursements	-18,115	48,837	-1,391	0	0	29,330
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Fixed Assets	0	7,740	0	0	0	7,740
Transfers-In	0	30,000	0	0	0	30,000
Transfers-Out	-30,000	0	0	0	0	-30,000
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>-30,000</b>	<b>37,740</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,740</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	-48,115	86,577	-1,391	0	0	38,612
Fund Cash Balance, January 1	177,565	255,050	21,634	0	3,989	458,237
<b>Fund Cash Balance, December 31</b>	<b>\$129,449</b>	<b>\$341,627</b>	<b>\$20,242</b>	<b>\$0</b>	<b>\$3,989</b>	<b>\$495,308</b>
Reserve for Encumbrances, December 31	\$8,000	\$26,000	\$0	\$0	\$0	\$34,000

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

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003**

	<b>Fiduciary Fund Types</b>
	<b>Nonexpendable Trust</b>
<b>Operating Cash Receipts:</b>	
Earnings on Investments	\$109
Total Operating Cash Receipts	109
<b>Operating Cash Disbursements:</b>	
Total Operating Cash Disbursements	0
Operating Income/(Loss)	109
Income	109
Fund Cash Balance, January 1	3,597
<b>Fund Cash Balance, December 31</b>	<b>\$3,706</b>

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

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Randolph Township, Portage 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. The Township contracts with the Portage County Sheriff's Department to provide security of persons and property.

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

**B. Basis of Accounting**

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

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**3. Debt Service Funds**

These funds account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

Fire Pumper/Tanker, Fire Truck Note, and Dump Truck Funds – These funds receive property tax monies from the general fund to retire the notes.

**4. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project fund:

Issue II Fund - The Township received a grant from the State of Ohio to replace a culvert.

**5. Fiduciary Funds (Trust Funds)**

These funds account for resources restricted by legally binding trust agreements. The Township had the following significant fiduciary fund:

Gunthier Trust Fund (Non-Expendable Trust) – This fund receives interest revenue for maintenance and upkeep of the Township cemetery.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3. Encumbrances**

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

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

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

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2004	2003
Demand deposits	\$436,289	\$491,319
Certificates of deposit	7,911	7,694
Total deposits	\$444,200	\$499,013

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$287,168	\$278,362	(\$8,806)
Special Revenue	657,481	682,549	25,068
Debt Service	51,043	91,257	40,214
Capital Projects	136,118	166,700	30,582
Fiduciary	802	63	(739)
Total	\$1,132,612	\$1,218,931	\$86,319

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY – (Continued)**

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$418,113	\$387,637	\$30,476
Special Revenue	925,247	712,556	212,691
Debt Service	77,883	77,078	805
Capital Projects	1	166,700	(166,699)
Fiduciary	4,895	0	4,895
Total	<u>\$1,426,139</u>	<u>\$1,343,971</u>	<u>\$ 85,168</u>

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$226,424	\$257,685	\$31,261
Special Revenue	685,913	666,287	(19,626)
Debt Service	75,647	73,988	(1,659)
Capital Projects	54,247	54,246	(1)
Fiduciary	301	109	(192)
Total	<u>\$1,042,532</u>	<u>\$1,052,315</u>	<u>\$9,783</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$295,356	\$313,800	(\$18,444)
Special Revenue	795,270	605,711	189,559
Debt Service	97,281	75,379	21,902
Capital Projects	54,247	54,246	1
Fiduciary	4,294	0	4,294
Total	<u>\$1,246,448</u>	<u>\$1,049,136</u>	<u>\$197,312</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Public Works fund by \$166,699 for the year ended December 31, 2004.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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



**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

June 20.

**4. PROPERTY TAX – (Continued)**

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

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

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Tractor/mower	\$24,963	4%

The above general obligation note was issued to finance the purchases of a new tractor/mower for the Township's road department. This debt is backed by the full faith of the Township.

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

Year ending December 31:	<u>Tractor/ mower</u>
2005	\$26,036

**6. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

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 governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**7. RISK MANAGEMENT – (Continued)**

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corp.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	<u>\$17,046,241</u>	<u>\$16,000,923</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

**8. FUND BALANCE ADJUSTMENT**

As stated in Finding 2004-003 (refer to Schedule of Findings), the Township's fund balances were not properly reconciled to their bank balances. In addition, the Township's accounting system was not in agreement with the fund balances on their prior audited financial statements (2001-2002). As a result, in order for the Township's total fund balances, bank balances, and financial statement balances to all be in agreement at December 31, 2004, the general fund fund balance was adjusted by \$1,472.21.



**Auditor of State  
Betty Montgomery**

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

Randolph Township  
Portage County  
3636 Waterloo Road  
Randolph, OH 44265

To the Board of Trustees:

We have audited the financial statements of Randolph Township (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 11, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-003.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated August 11, 2006, we reported another matter involving internal control over financial reporting which we did not deem a reportable condition.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503  
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### 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 2004-001 and 2004-002. In a separate letter to the Township's management dated August 11, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the board of trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

August 11, 2006

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

**Finding for Recovery**

**Noncompliance Citation - Clerk Overpaid in 2004**

**Ohio Revised Code Section 507.09(A)** sets a clerk's compensation based upon the Township's certified resources. For fiscal year 2004, this code section allowed a clerk to earn \$15,396 for the entire year when certified resources were between \$750,001 and \$1,500,000 and \$17,962 for the entire year when certified resources were between \$1,500,001 and \$3,500,000. The Township Trustees adopted a resolution to establish the salary method of compensation. The Township's fiscal year 2004 Official Certificate of Estimated Resources, dated August 26, 2003, total amount of estimated resources was \$969,292. The Township then amended the official certificate on January 27, 2004, to increase the total amount of estimated resources to \$1,473,224. The clerk then filed a second (and final) amended certificate on December 21, 2004, to increase the total amount of estimated resources to \$1,609,342. As a result, the clerk should have been paid for 355 days of the year utilizing the \$750,001 to \$1,500,000 pay range, January 1 through December 20, and the other 11 days of the year by the \$1,500,001 and \$3,500,000 pay range, December 21 through December 31. The total compensation of the clerk for fiscal year 2004 was calculated to be \$15,473.12. Payroll records show that the clerk, Rebecca Carter, received \$16,496.32 in compensation for fiscal year 2004. Therefore, Rebecca Carter was overpaid by \$1,023.20.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against the Township Clerk, Rebecca Carter and the Ohio Township Association Risk Management Authority (OTRMA), her bonding company, and in favor of the Randolph Township General Fund, in the amount of one thousand twenty-three dollars and twenty cents.

**Fiscal Officer's Response:** This Finding for Recovery was re-paid to the General Fund on August 1<sup>st</sup>, 2006.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

**Appropriations exceeded by Expenditures**

**Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

For the year ending December 31, 2004, the Township's total expenditures in their Public Works fund exceeded the total appropriations, which is a violation of the above code section. Total expenditures consist of actual expenditures (for the entire year) plus encumbrances outstanding at the end of the year. Total appropriations include the appropriation balances filed with the Portage County Auditor plus outstanding encumbrances carried over from the prior fiscal year. The difference is as follows:

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

Fund	Total Appropriations	Total Disbursements	Difference
Public Works (4402)	1.00	166,700.00	(166,699.00)

The Township did not amend their appropriations for the Issue II monies being paid to contractors on behalf of the Township.

We recommend the Township appropriate for or amend appropriations for Issue II monies paid to contractors on behalf of the Township.

**Fiscal Officer's Response:** This will be corrected for future periods.

**FINDING NUMBER 2004-003**

**Reportable Condition – Township not Reconciled**

The management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. This includes ensuring that recorded assets exist as of fiscal year end, recorded transactions have occurred and are not fictitious, as well as ensuring that all account balances and transactions that should be included in the financial records are included. To achieve these assertions, management should consider the following internal controls:

- Ensuring that all transactions are properly authorized in accordance with management's policies;
- Ensuring that accounting records are properly designed;
- Ensuring adequate security of assets and records;
- Planning for adequate segregation of duties or compensating controls;
- Verifying the existence and valuation of assets and periodically reconcile them to the accounting records;
- Performing analytical procedures to determine the reasonableness of financial data; and
- Ensuring the collection and compilation of the data needed for the timely preparation of financial statements.

During 2003 and 2004 the Township closed out its books each month, however, they did not properly reconcile their fund balances to their bank balances. At the close of 2003 and 2004, the Township was unreconciled by (\$16,139.10) and \$603.71, respectively. Because the Township was not properly reconciled, we issued a 90 day letter for the Township to allow time for the Township to properly reconcile their fund balances and bank balances.

The Township hired a Certified Public Accounting Firm to aid them in getting their accounting system reconciled with their bank balances. The Firm noted numerous errors in the Township's accounting system throughout 2003 and 2004, including incorrect and duplicate postings, along with transactions not being posted at all. As a result of these errors, the Township's fund balances were understated, when compared to their bank balances, in 2003 and 2004 by \$828.75 and \$603.71, respectively.

This condition may have lead to the Township making financial decisions with inaccurate fund balances.

We recommend the Township reconcile their accounting system to the bank balances on a monthly basis.

**RANDOLPH TOWNSHIP  
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

The Clerk should review any discrepancies noted and make the necessary adjustments as needed to insure the Township is properly reconciled. We also recommend the Clerk provide the Township Trustees with supporting documentation of monthly bank balances and system fund balances. The Trustees should review the information to determine the completeness, accuracy, and proper presentation of the monthly reconciliation. If the Trustees' agree with the balances on the reconciliation, they should pass a resolution formally stating their review and acceptance of the reconciliation. The Trustees should also review the receipt, appropriations and cash journals on a regular basis to insure they are being posted on a timely manner.

**Fiscal Officer's Response:** This has been corrected and the Township is currently reconciled with copies of all reconciliations and supporting documentation given to the Township Trustees.

RANDOLPH TOWNSHIP  
PORTAGE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2002-001	5705.41B – Appropriations exceeded by expenditures	No	see 2004-001 above





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**RANDOLPH TOWNSHIP**

**PORTAGE 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  
NOVEMBER 9, 2006**