



OHIO AUDITOR OF STATE
KEITH FABER

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of Richland Township, Defiance County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2023 and 2022, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the financial statements are prepared by the Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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.



Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2024

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**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, 2023**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$18,960	\$380,439	\$399,399
Charges for Services		130,464	130,464
Licenses, Permits and Fees	2,220		2,220
Intergovernmental	48,103	217,736	265,839
Earnings on Investments	94	104	198
Miscellaneous	726	17,492	18,218
<i>Total Cash Receipts</i>	<i>70,103</i>	<i>746,235</i>	<i>816,338</i>
Cash Disbursements			
Current:			
General Government	50,140		50,140
Public Safety	19,097	307,152	326,249
Public Works		255,655	255,655
Capital Outlay	8,692	47,863	56,555
<i>Total Cash Disbursements</i>	<i>77,929</i>	<i>610,670</i>	<i>688,599</i>
<i>Net Change in Fund Cash Balances</i>	<i>(7,826)</i>	<i>135,565</i>	<i>127,739</i>
<i>Fund Cash Balances, January 1</i>	<i>33,265</i>	<i>285,481</i>	<i>318,746</i>
<i>Fund Cash Balances, December 31</i>	<i>\$25,439</i>	<i>\$421,046</i>	<i>\$446,485</i>

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, 2023**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Richland Township, Defiance County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

Public Entity Risk Pool

The Township participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 5 to the financial statements provides additional information for this entity. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

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 all 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 property tax money for providing fire and emergency rescue services to Township residents.

Fire and Rescue, Ambulance, and EMS Services Fund This fund receives property tax money for providing fire and emergency rescue services to Township residents.

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(C). 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(C) permit.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

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 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 canceled, and reappropriated in the subsequent year.

A summary of 2023 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

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.

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.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2023 follows:

2023 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,690	\$70,103	\$9,413
Special Revenue	816,224	746,235	(69,989)
Total	<u>\$876,914</u>	<u>\$816,338</u>	<u>(\$60,576)</u>

2023 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$94,952	\$77,929	\$17,023
Special Revenue	1,100,702	610,670	490,032
Total	<u>\$1,195,654</u>	<u>\$688,599</u>	<u>\$507,055</u>

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

	2023
Cash Management Pool:	
Demand deposits	\$30,189
Repurchase agreement	416,296
Total deposits and investments	<u>\$446,485</u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 5 – Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the Plan), a unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management programs 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.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70 percent and 75 percent. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65 percent and 70 percent. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60 percent and 67.5 percent and has remain unchanged. OPRM had 801 members as of December 31, 2023.

The Pool's audited financial statements conform with accounting principles generally accepted in the United States of America, with the exception of a qualified opinion related to recording premiums and membership fees earned in full as of December 31, 2023. Those premiums and fees should be earned pro-rata over the individual coverage and membership periods of each policy. The financial statements reported the following assets, liabilities and equity at December 31, 2023.

Assets	\$ 23,113,696
Liabilities	(<u>16,078,587</u>)
Members' Equity	<u>\$ 7,035,109</u>

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Some 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 plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2023.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan. OPERS offers a health reimbursement arrangement (HRA) allowance to benefit recipients meeting certain age and service credit requirements. The HRA is an account funded by OPERS that provides tax-free reimbursement for qualified medical expenses such as monthly post-tax insurance premiums, deductibles, co-insurance, and co-pays incurred by eligible benefit recipients and their dependents. For calendar year 2023, the portion of employer contributions allocated to health care was 0 percent for members in the traditional pension plan and 2 percent for members in the combined plan. For 2023, the portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent; however, a portion of the health care rate was funded with reserves.

Note 9 – Debt

Debt outstanding at December 31, 2023, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2019 Fire Truck Lease	<u>\$58,259</u>	2.99%

2019 Fire Truck Lease – Republic First National Bank – This lease relates to the purchase of a new fire truck. The original loan amount was \$211,735 for 10 years at 2.99 percent interest rate. The payments are once a year in May. The payment amount is \$24,395.42. The loan payments began on May 1, 2021 and the Township has been making extra payments and no payment was due in 2023. The lease will be fully paid by May 1, 2025. Payments are made from the Fire and Rescue, Ambulance, and EMS Services Fund.

Amortization

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

Year Ending December 31:	<u>Loan</u>
2024	<u>\$36,000</u>
2025	<u>24,720</u>
Total	<u><u>\$60,720</u></u>

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

Note 10 – Fund Balances

The fund balance of Special Revenue Funds is restricted.

Note 11 – Compliance

Contrary to Ohio Rev. Code § 5705.10, the Township inappropriately recorded receipts and disbursements in the wrong funds.

**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, 2022

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$20,169	\$378,218	\$398,387
Charges for Services		127,438	127,438
Licenses, Permits and Fees	1,035		1,035
Intergovernmental	42,597	258,915	301,512
Earnings on Investments	148	154	302
Miscellaneous	10,406	31,209	41,615
<i>Total Cash Receipts</i>	<i>74,355</i>	<i>795,934</i>	<i>870,289</i>
Cash Disbursements			
Current:			
General Government	58,165	27,338	85,503
Public Safety	15,144	468,511	483,655
Public Works		266,896	266,896
Conservation-Recreation		655	655
Capital Outlay	17,371	108,616	125,987
Debt Service:			
Principal Retirement		140,135	140,135
Interest and Fiscal Charges		5,865	5,865
<i>Total Cash Disbursements</i>	<i>90,680</i>	<i>1,018,016</i>	<i>1,108,696</i>
<i>Excess of Disbursements Over Receipts</i>	<i>(16,325)</i>	<i>(222,082)</i>	<i>(238,407)</i>
Other Financing Receipts			
Other Financing Sources	190		190
<i>Net Change in Fund Cash Balances</i>	<i>(16,135)</i>	<i>(222,082)</i>	<i>(238,217)</i>
<i>Fund Cash Balances, January 1</i>	<i>49,400</i>	<i>507,563</i>	<i>556,963</i>
<i>Fund Cash Balances, December 31</i>	<i>\$33,265</i>	<i>\$285,481</i>	<i>\$318,746</i>

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, 2022**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Richland Township, Defiance County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection, and emergency medical services.

Public Entity Risk Pool

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Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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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:

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

Fire and Rescue, Ambulance, and EMS Services Fund This fund receives property tax money for providing fire and emergency rescue services to Township residents.

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(C). 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(C) permit.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

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 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. 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 2022 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

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.

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.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 10.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,250	\$74,545	\$14,295
Special Revenue	781,015	795,934	14,919
Total	<u>\$841,265</u>	<u>\$870,479</u>	<u>\$29,214</u>

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$106,939	\$90,680	\$16,259
Special Revenue	1,238,024	1,018,755	219,269
Total	<u>\$1,344,963</u>	<u>\$1,109,435</u>	<u>\$235,528</u>

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township's deposit and investment accounts are as follows:

2022	
Cash Management Pool:	
Demand deposits	\$11,648
Repurchase agreement	307,098
Total deposits and investments	<u>\$318,746</u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 5 – 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.

Effective November 1, 2016, the OPRM elected to participate in a property loss corridor deductible. The property corridor includes losses paid between 70 percent and 75 percent. In 2018, the casualty loss corridor was eliminated and the property corridor was adjusted to losses paid between 65 percent and 70 percent. Effective November 1, 2019, the property loss corridor was adjusted to losses between 60 percent and 67.5 percent and has remain unchanged. OPRM had 773 members as of December 31, 2022.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2022.

Assets	\$ 21,662,291
Liabilities	<u>(18,158,351)</u>
Members' Equity	<u>\$ 3,503,940</u>

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

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Some 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 plan's benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2022.

Note 8 – 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 0 percent during calendar year 2022. The portion of employer contributions allocated to health care for OPERS members in the Member-Directed Plan was 4.0 percent during calendar year 2022.

Effective January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2019 Fire Truck Lease	<u><u>\$58,259</u></u>	<u><u>2.99%</u></u>

2019 Fire Truck Lease – Republic First National Bank – This lease relates to the purchase of a new fire truck. The original loan amount was \$211,735 for 10 years at 2.99 percent interest rate. The payments are once a year in May. The payment amount is \$24,395.42. The loan payments began on May 1, 2021 and the Township has been making extra payments and will be fully paid by May 1, 2025. Payments are made from the Fire and Rescue, Ambulance, and EMS Services Fund.

Ohio Public Works Commission (Loan Number CE41X) – The Township entered into a loan agreement dated September 1, 2020 in the amount of \$59,000 for the Weichman Road widening and paving project. This loan was paid in full during 2022 from the Gasoline Tax Fund.

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(CONTINUED)**

Amortization

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

Year Ending December 31:	Loan
2024	\$36,000
2025	24,720
Total	<u><u>\$60,720</u></u>

Note 10 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	Special Revenue
Outstanding Encumbrances	<u><u>\$739</u></u>

The fund balance of Special Revenue Funds is restricted. These restricted amounts in the Special Revenue Funds would include the outstanding encumbrances.

Note 11 – Compliance

Contrary to Ohio Rev. Code § 5705.10, the Township inappropriately recorded receipts and disbursements in the wrong fund.

OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2023 and 2022 and the related notes to the financial statements of Richland Township, Defiance County, Ohio (the Township) and have issued our report thereon dated December 17, 2024, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-001 and 2023-002 that we consider to be material weaknesses.

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Richland Township
Defiance County
Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-002.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 17, 2024

**RICHLAND TOWNSHIP
DEFIANCE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2023 AND 2022**

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

FINDING NUMBER 2023-001

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified in the accompanying financial statements and notes to the financial statements:

- In 2023, intergovernmental receipts were incorrectly classified as miscellaneous in the General Fund in the amount of \$6,750.
- In 2022, principal retirement was incorrectly classified as public works and capital outlay in the Gasoline Tax and Fire and Rescue, Ambulance, and EMS Services Funds in the amounts of \$59,000 and \$81,135, respectively.
- In 2023, budgeted receipts in the budgetary activity note to the financial statements did not agree to amounts certified by the County Budget Commission. Budgeted receipts were understated in the General and Special Revenue Funds in the amounts of \$60,690 and \$816,224, respectively.
- In 2023, actual receipts in the budgetary activity note to the financial statements were understated in the General and Special Revenue Funds in the amounts of \$70,103 and \$746,235, respectively.
- In 2023, appropriation authority in the budgetary activity note to the financial statements did not agree to amounts approved by the Board. Appropriation authority was understated in the Special Revenue Fund in the amount of \$129,104.
- In 2022, budgeted receipts in the budgetary activity note to the financial statements did not agree to amounts certified by the County Budget Commission. Budgeted receipts were overstated in the General Fund in the amount of \$15,292.
- In 2022, actual receipts in the budgetary activity note to the financial statements were understated in the General and Special Revenue Funds in the amounts of \$82,389 and \$659,949, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements and notes to the financial statements. Failure to complete accurate financial statements and notes to the financial statements could lead to the Board making misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors ranging from \$21 to \$37,736. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$171 to \$10,150 which we have brought to the Township's attention.

The Township should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements by the Fiscal Officer and the finance committee, to help identify and correct errors and omissions.

FINDING NUMBER 2023-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(C) requires “all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made.” In addition, **Ohio Rev. Code § 5705.10(D)** provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

- In 2023, the Township inappropriately recorded \$47,469 and \$26,406 of property tax receipts and disbursements, respectively, in the Fire District Fund. Given the source of the revenue and the purpose of the disbursement, this should have been recorded in the Fire and Rescue, Ambulance, and EMS Services Fund.
- In 2023, the Township inappropriately recorded \$5,104 of tangible personal property tax receipts in the General Fund. Given the source of the revenue, \$2,127 and \$2,977 should have been recorded in the Fire District and Road and Bridge Funds, respectively.
- In 2023, the Township inappropriately recorded \$12,571 of gasoline tax receipts in the General Fund. Given the source of the revenue, this should have been recorded in the Gasoline Tax Fund.
- In 2022, the Township inappropriately recorded \$46,859 and \$41,734 of property tax receipts and disbursements, respectively, in the Fire District Fund. Given the source of the revenue and the purpose of the disbursement, this should have been recorded in the Fire and Rescue, Ambulance, and EMS Services Fund.

Audit adjustments are reflected in the financial statements and in the accounting records correcting these and other misstatements in the amounts of \$249 and \$7,348.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Township should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

2. OTHER – FINDINGS FOR RECOVERY

In addition, we identified the following other issue related to Findings for Recovery. The issue did not impact our GAGAS Compliance and Controls report.

FINDING NUMBER 2023-003

Finding For Recovery Repaid Under Audit – Late Fee and Penalties

The law requires employers to withhold taxes from employees’ paychecks and remit those taxes to the government. The United States Internal Revenue Code, for example, requires employers to deduct from wages paid to employees the employees’ share of FICA taxes and individual income taxes. See **26 U.S.C. §§ 3102(a) and 3402(a)**. Those withholdings are considered to be held in “a special fund in trust for the United States.” 26 U.S.C. § 7501(a). The employer is liable for the withheld portion of the employee’s wages and must pay over the full amount to the government each quarter. See *United States v Farr*, 536 F.3d 1174, 1176 (10th Circ. 2008).

Due to deficiencies in accounting policies and procedures over payroll remittance, the Township was consistently late in remitting federal income taxes and filing required reports during 2023. The Internal Revenue Service (IRS) assessed and the Township paid \$1,283 in penalties and interest against the Township for its failure to remit the taxes and file required reports. Penalties and interest are unnecessary and do not constitute a proper public purpose for the Township.

Failing to remit withholdings timely could lead to further penalties and additional Findings for Recovery.

Richland Township
Defiance County
Schedule of Findings
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In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Tammy Flory, Fiscal Officer, and in favor of Richland Township's General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Fire District Funds in the amounts of \$222, \$24, \$112, \$305, and \$620, respectively.

On December 6, 2024, Tammy Flory repaid Richland Township \$1,283. The Township received the \$1,283 into the General, Motor Vehicle License Tax, Gasoline Tax, Road and Bridge, and Fire District Funds in the amounts of \$222, \$24, \$112, \$305, and \$620, respectively, on December 6, 2024.

The Township should implement procedures to verify that federal income taxes are properly remitted to the IRS and required returns are filed at that time.

Officials' Response:

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

Richland Township Trustees

PO Box 30144 Jewell, Ohio 43530

P - 419.497.2045

*Joel Martin – President, Julie Rittenhouse – Trustee,
Julie Retcher – Trustee, Tammy Flory – Fiscal Officer*

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2023 AND 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	This finding was first reported in 2006. Material weakness for lack of monitoring of financial transactions resulting in errors in the financial statements.	Not corrected and reissued as Finding 2023-001 in this report.	This finding reoccurred due to errors in the financial statements and notes to the financial statements. The Fiscal Officer will review the errors and take them into consideration for future audits.
2021-002	This finding was first reported in 2016. Ohio Rev. Code § 5705.41(D)(1) for not properly certifying disbursements.	Partially corrected and reissued in the Management Letter.	Additional errors occurred and were not detected. The Fiscal Officer will make an effort to fully correct this finding.
2021-003	This finding was first reported in 2018. Ohio Rev. Code §§ 149.43(E)(2) and 149.43(B)(2) for not establishing a public records policy and a records retention schedule.	Partially corrected and reissued in the Management Letter.	Additional errors occurred and were not detected. The Fiscal Officer will make an effort to fully correct this finding.
2021-004	This finding was first reported in 2016. Ohio Rev. Code § 505.24(C) for posting the Fiscal Officer and Trustees' salaries to the wrong funds.	Partially corrected and reissued in the Management Letter.	Additional errors occurred and were not detected. The Fiscal Officer will make an effort to fully correct this finding.

OHIO AUDITOR OF STATE KEITH FABER



RICHLAND TOWNSHIP

DEFIANCE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/31/2024

65 East State Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov